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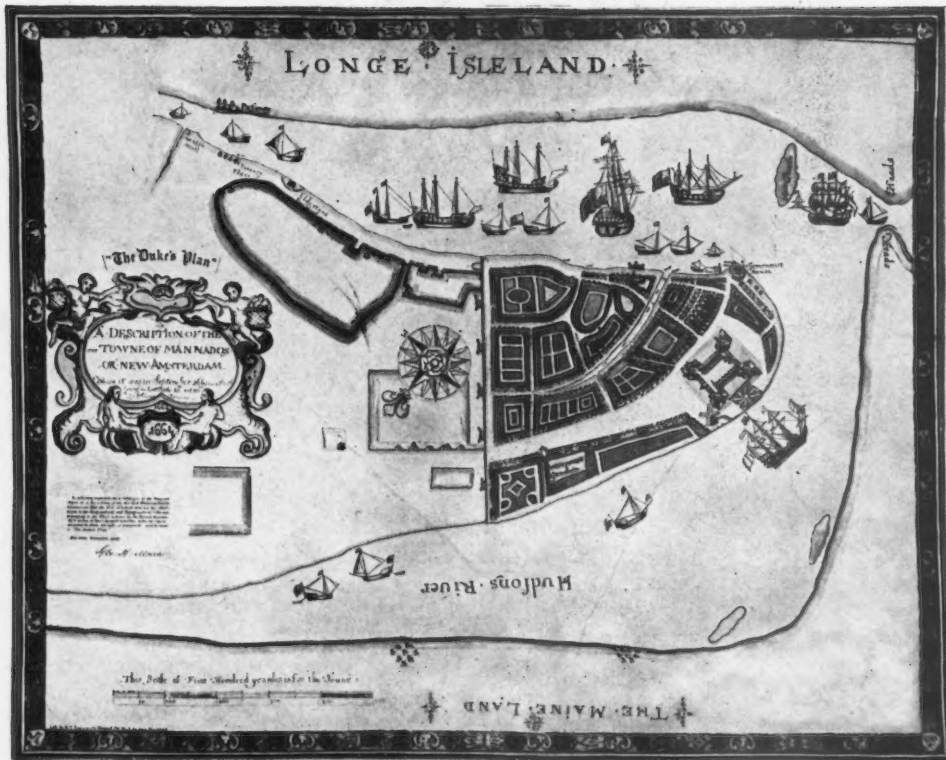
Modern Map of New York, Page 25

P.F.

June, 1926

CREDIT

MONTHLY



When New York Was Young

25 cents

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*There should
have been*



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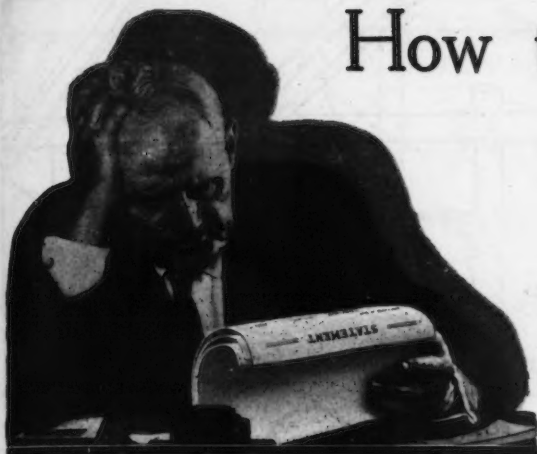
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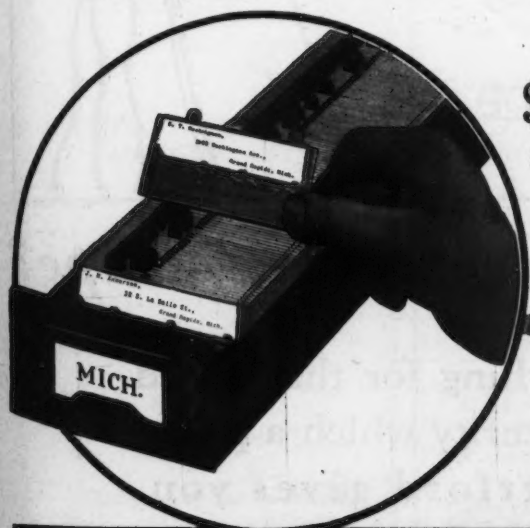
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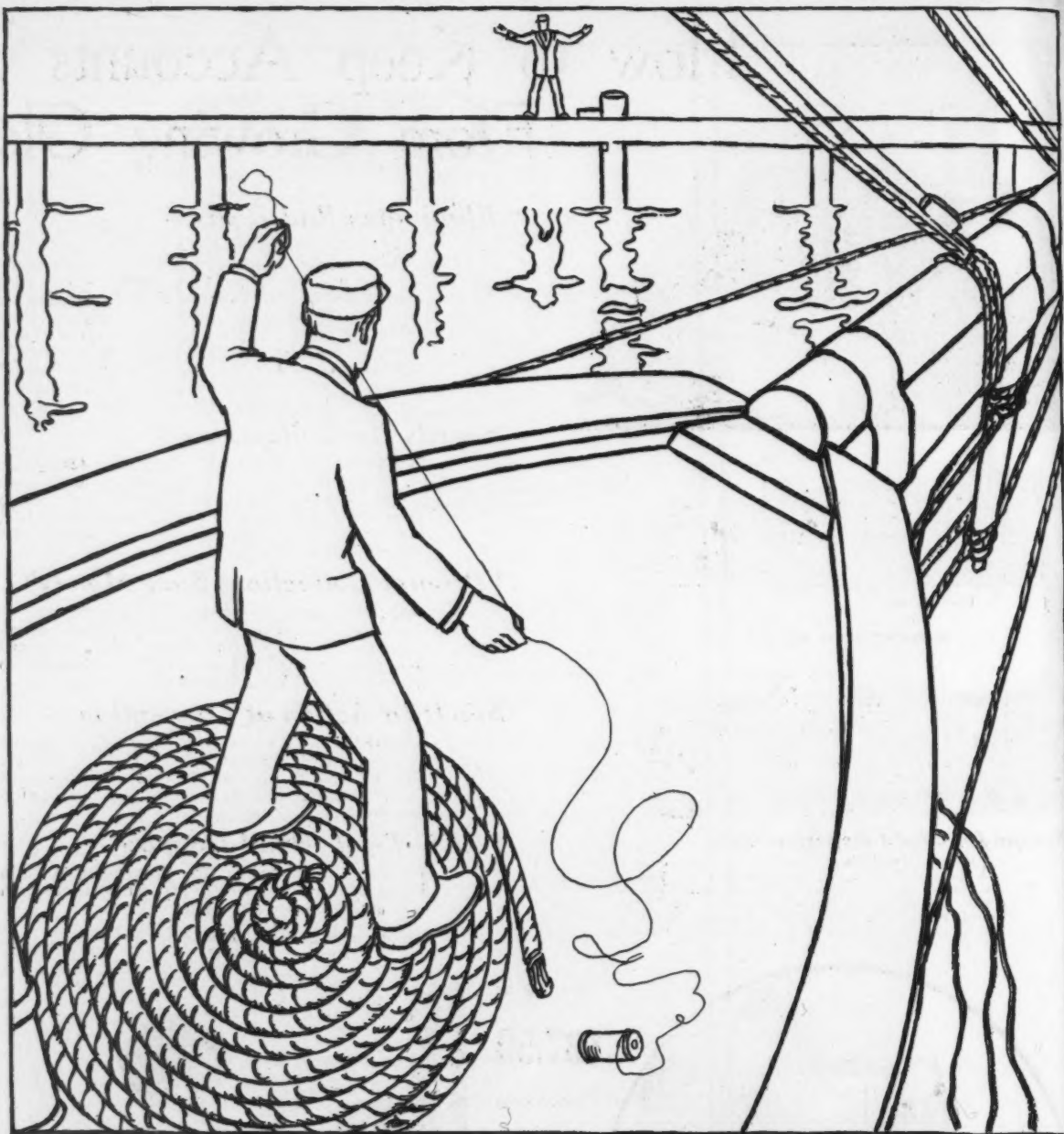
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CREDIT MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

Rodman Gilder, Editor

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Credit Monthly, June, 1926.



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Net Surplus	6,137,164.70
Capital	3,000,000.00
Net Surplus to Policyholders	9,137,164.70

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Title Guarantee & Trust Co., N. Y., Painting by Alfred Fredericks

PURCHASE OF MANHATTAN ISLAND BY PETER MINUIT, 1626

Mr. Minuit "In Conference"

WHEN, just 300 years ago, Peter Minuit, the new Director General of New Netherlands, arrived at Manhattan Island in May, 1626, he found a thriving hamlet numbering about 200 souls. During the two previous years an important change had come over the young settlement. Like Fort Orange (Albany), New Amsterdam was originally a mere trading post where the agents of the Dutch West India Company bartered for furs with the Indians, giving in exchange beads, knives, cloth and trinkets such as delight the savage heart. But in 1623 Walloon settlers had established themselves on Long Island opposite Manhattan where the Brooklyn Navy Yard now stands. Meanwhile on Manhattan itself there was a nucleus of settlers who had evidently found the climate agreeable, since a year previous to Minuit's landing they had imported shiploads of cattle, stallions, mares, swine and sheep. The farmer had arrived, and not until the farmer establishes himself in a new country can you say that that country is truly "settled."

To Get a Clear Title

By right of discovery (Hudson's landfall in 1609), by commercial privileges which the States General granted the West India Company, and finally by settlement the New Netherlands had become a Dutch colony. But to secure with legal forms what was already theirs, to give themselves a clear title, Minuit was ordered to purchase the island of Manhattan from the native proprietors. Soon after taking office, he called the chiefs of Manhattan to a conference. There have been many business conferences in Manhattan since that first one 300 years ago, but without a doubt not one of them has equalled in its far reaching effects this convocation of sachems and Dutchmen which resulted in the purchase of Manhattan Island. The price agreed upon for this momentous real estate deal was a few beads and trinkets "of the value of 60 guilders." In our currency today, \$24. The estimated acreage was 22,000. One might say conservatively that Manhattan real

estate at a tenth of a cent per acre was an exceptionally good buy. Apparently the Directors of the West India Company thought so in 1626; and no one since seems to have disputed their judgment. When the map (1665) was made, which appears on the cover of the present issue of this magazine, the town had grown in numbers and importance. Twenty years ago the tax commissioners found that the real estate valuation had risen to over \$2,300,000,000. In 300 years, roughly speaking, we may say that property values in New York had increased more than 1,000,000 per cent. Florida realtors, please note!

As one writer on old New York has said, this purchase of Manhattan deserves to be recorded on the pages of American history as an event ranking in importance with Penn's treaty with the Indians fifty-six years later. It ushered in a new epoch of trade expansion and assured the colonists of the good faith of the West India Company. There was no longer a question of abandoning the settlement.

Minuit's rule was on the whole prosperous and successful, though it endured but six years. He not only purchased the island, but made treaties with the Indians, inaugurated friendly intercourse with the Massachusetts men and started the construction of Fort Amsterdam which in later Dutch days grew into an imposing military work. Within its stone ramparts were three windmills, a guard house, barracks, a stone church and the Director's house.

During his directorship the exports to Holland from New Netherlands had more than trebled. In 1626 their value amounted to only 46,000 guilders (\$13,400); in 1632 they had increased to 143,000 guilders (\$57,300). Imports from Holland during the same period amounted to 238,000 guilders. The ship which bore the Director back to Amsterdam brought to the Company's warehouse a cargo of 5,000 heavier skins.

The recall of Minuit—who, had he remained in command, might have to an even greater degree advanced the commercial fortunes of New Amsterdam and the entire province—was occasioned by a bitter contest between the directors of the West India Company and their

colleagues the patroons, who assumed the right to enter into the lucrative peltry trade which the Company had reserved for itself when it established the patroon system in the new colony. Suspected of partiality to the patroons, Minuit was superseded in 1632. Though the patroon system traced direct descent from feudalism it was in truth a milk and water despotism; and though it endured with its English counterpart the manorial system for generations, its final extinction left no bitter memories of outrage along the Hudson River valley such as rankle in the hearts of European peasants.

New England and New York Trade

The year following the purchase, Isaac de Razieres, who was Secretary of the Province under Minuit, was dispatched with a letter to the Pilgrims at New Plymouth congratulating Governor Bradford on the prosperity of his people and proffering good-will and reciprocity. This was the beginning of the trade intercourse between New England and New York.

Curiously enough Manhattan was then as now a great financial centre. Since European currency was scorned by the Indians, traders were compelled to use the aboriginal money—*Sewan*. It consisted of *Wampum*, white beads made of the stem of the periwinkle, and *Suckashock*, black beads (twice the value of the former) made of part of the inside of clam shells. This coinage had a definite value not only among the coastal tribes but among those of the interior. As the chief manufacturers of this coinage were the Long Island Indians (the *Sewanhacky*) the Dutch traders had the advantage of owning the mint. The great activity of the New Netherlanders, whose trading sloops entered every bay and river from the Delaware to the Kenebec, caused much heart-burning among the New Englanders whose tonnage consisted of "a bass-boat, shallop and pinnace." Nevertheless, a mutually advantageous trade helped to smooth ruffled feelings and preserve peaceful relations between the provinces in those dawning years of American civilization.

—Drake de Kay.



AFTER A FIRE—WHAT?

FIRE can do more than destroy property. It may cause a much greater loss than the actual physical damage itself.

Such loss would come in the cutting off of profits. At the same time the necessary maintenance expenses, salaries, rents, taxes, interest, royalties and other fixed charges must be met. These expenses constitute a direct financial loss as the result of suspended operations.

Business Interruption Insurance known as Use and Occupancy Insurance, is the modern method of covering this form of loss. It can also be written to cover loss caused by Windstorm, Riot and Civil Commotion, Sprinkler Leakage, Explosion and Earthquake.

This protection is provided by The Home Insurance Company of New York, a company known for its financial strength, sound underwriting and service to policyholders—BEFORE AND AFTER a loss.

The HOME INSURANCE COMPANY NEW YORK

Charles L. Tyner, President

ORGANIZED 1853

CASH CAPITAL \$18,000,000

CREDIT MONTHLY

Vol. XXVIII

JUNE - 1926

No. 6

Credit Policy Conservative With An Extensive Use of the Trade Acceptance

By G. E. Root

Credit Manager, P. and F. Corbin Division, American Hardware Company, New Britain, Conn.

THE CREDIT POLICY of our organization is a very conservative one; and by that, I mean that we regard the Credit Department as merely an adjunct to smooth business relationships, a convenience offered customers as a cog in the modern machinery of business, not as an enterprise in itself. We are not engaged in banking and have no interest in financing companies looking for backing rather than mere accommodation. Not only are we slow in opening our credit ledgers to would-be customers but we are constantly reducing the burden of credit operation by a more extensive use of trade acceptances. We draw a draft ten days after an account becomes past due, and repeat the performance after a short time if the paper is not honored, and we take a very positive stand against notes, except under unusual circumstances. If a customer requires greater credit facilities than are allowed by our terms of sixty days, the thing for him to do is to borrow from his local bank, whose business it is to help carry the merchants of the community.

Trade acceptances seem to me to deserve much more general use than is now made of them in the manufacturer's field. Frequently, we send one with the invoice and do not find that it disturbs our relations with our customers. Recently, an order came in from a new customer not long established in business and with only a fair agency rating. After an investigation, I felt that he was entitled to credit, and that properly handled he might develop into a first class account for us. So I wrote to say that we should be glad to ship the goods under our trade acceptance terms, which proposition he accepted. The signing of acceptances placed him under an obligation not only to us but his own banker as well. Since that time, we have regularly filled his orders on the same basis, although we are now convinced of his reliability which will in time give him a much higher rating.

The trade acceptance custom is particularly valuable in the case of a newly organized company, for it establishes the habit of meeting obligations promptly and systematically. Funds will be held to meet an acceptance where, on a close margin, they might not be merely to settle a bill. Of course, the trade acceptance plan can be abused by using it for past due accounts. This method of clearing balances, carried out according to the rules for the proper use of the



G. E. Root

trade acceptance, proves an exceptional medium for the collection of accounts.

Our own use of acceptances has enabled us to educate some of our slow but good accounts to a point where they now have definite paying habits with us. We have made great progress in our use of the trade acceptance, and in the past year we have placed approximately 25 per cent of our accounts on this basis.

Only One Went to Protest

It is but natural to ask what experience we have had in collecting under the trade acceptance method. The answer is that since we inaugurated the plan only one acceptance has gone to protest. And this one was then immediately collected.

It is highly important that every method within the power of the Credit Manager be used to determine the responsibility of the customer before placing him on a trade acceptance basis, in order that confidence on the part of the banker may be maintained in our commercial paper. We of course use the trade acceptance only on customers in whom we have implicit confidence. Otherwise we would simply be balancing our accounts with paper of doubtful value.

It is our policy wherever we accepted paper in lieu of cash to assure ourselves that the paper is of the same high standard as our merchandise.

This is our general attitude toward credits. Our system itself is equally direct; in fact, it is stripped bare of all complications because we haven't time for them. It happens that our plan of organization makes me not only Credit Manager of our home office, and supervisor of credits for our sales offices in New York and Philadelphia and for our branch office in Chicago, but gives me other important duties as well. I must therefore apportion my time accordingly. This heaping up of responsibilities may not be a bad thing for the Credit Department, because it keeps me so closely in touch with the entire financial side of our business and furnishes me with information of value in managing the Credit Department.

The history of our experience with every account is written in our ledgers and that is where I find it when I need to refer to it. This is not so much of an undertaking as it sounds, for the Book-keeping Department is just outside my office door, and it is a matter of only a few moments for me to have in front of me the record of our past dealings with any customer.

It must be borne in mind, too, that the bulk of our trade is with jobbers, and this arrangement avoids an endless list of petty accounts. Small items, such as repair bills, we try to keep on a cash basis, for we know that it costs money to open a ledger page, and we reserve this privilege, as far as possible, for regular and potential customers. Another way in which we keep our ledgers as small and free as possible, for the mechanical convenience of the book-keepers, is by transferring to the files all accounts as soon as they are closed. These files are so clearly indexed that a page can be picked out almost instantly when a closed account becomes active again.

Delinquents Near at Hand

The one file I have in my office and within reach of my right hand is that of delinquent accounts. They are the ones which are my constant concern; the rest I need not worry about. In this small file cabinet are kept the correspondence I have on overdue accounts and copies of that conducted by New York and Philadelphia. There are different colored folders for each of the offices, and each folder is imprinted with numbers from 1 to 31, so that they can be tabbed for reference on follow-up dates.

But before I get to follow-ups, it may be well to describe the routine which

TRADE ACCEPTANCE	No. \$	New Britain, Conn.,
	SIXTY DAYS AFTER DATE PAY TO THE ORDER OF THE NEW BRITAIN NATIONAL BANK	
	DOLLARS	
	<div style="border: 1px solid black; padding: 5px;"> ACCEPTED 192.. Payable at Bank Location Signature </div>	
	<p>The obligation of the acceptor hereof arises out of the purchase of goods from the drawer, maturity being in conformity with original terms of purchase. The drawee may accept this bill payable at any bank, banker or trust company in the United States which he may designate.</p> <p style="text-align: right;">P. & F. CORBIN Division THE AMERICAN HARDWARE CORP. Cashier.</p>	
TO		
FORM 2456		

FIG. 1. Corbin Trade Acceptance Form (actual size 3¼ x 8¾)

leads up to them. All orders, as is the case with most houses, come to the credit desk as soon as they are received. Any which come from new customers who have not established their credit with us are stamped, *held for credit approval*, before being sent back to the Sales Department. Unless the held orders call for a special contract, the shipments are made up, since it is probable the credit release can be made about the time the goods are ready for shipment. If the order finally has to be turned down, the goods are returned to stock.

Our branches have their own Credit Departments, but terms under which orders are accepted are forwarded to headquarters every day, so that, if it seems wise to suggest any special caution, this can be done before goods are shipped. Orders which come from any of our foreign agents are usually accompanied by information as to the reliability of the accounts; but further investigation is usually advisable, and then I turn to the Foreign Credit Bureau of the National Association of Credit Men, from which I can get a report as to the experience of others with the customer.

In the investigation of references, we have found the forms approved by the National Association of Credit Men most satisfactory, and we use these entirely, as we do the Property Statement designed by the Association.

As I have said, we insist upon the best credit rating or excellent references. But in spite of these precautions, we are not without our troubles with past due accounts, although these seldom in any of our offices go above 6 to 8 per cent of the month's business. When statements are sent out on the first of the month, a list of past due accounts is made up on the form which we have for the purpose, indicating the amount due and the date of a draft if one was drawn. From these lists, a sheet showing totals of past due accounts and the month in which they became due is made up for each office, and these records are always in my desk, available for immediate reference.

Drafts in Ten Days

Ten days after an account is delinquent, we put through our first draft on the company. If this is returned unhonored, a letter is sent, calling attention to the return of the draft and assuming that

a check will be sent at once to cover the balance. A postscript suggests that another draft may be issued in a week, but this practice is sometimes dispensed with, owing to the slowness of bank procedure in getting the draft through. But at any rate, there is no let-up in the pursuit until the bill is paid. Every follow-up letter is stamped

REPLY WANTED
 (Date)
CARD SENT
 (Date)

The Failed to Reply card (FIG. 2) referred to is a rather peremptory one which we originally used only in demands on our branches for replies to inquiry letters, but now frequently send also to delinquents who ignore our requests for explanation or information. Instead of causing offense, the straightforward, unflowery request usually brings the prompt answer that is wanted.

Where an account has seriously over-run our terms, any further orders are held up. But this is not done until warning has been given in a letter which states our position politely but very clearly. One paragraph in the regular form letter used ordinarily, but often varied with the customer, says:

"We must collect amounts due us, in order to take care of our own require-

ments and when our calculations miscarry, it causes us disappointment to that extent. Will you please give this account your immediate attention so we shall not have any occasion to hold up your shipments."

Sometimes, after a first draft, a letter is received from the delinquent saying that he objects to having sight drafts made upon him. Our answer is that we prefer not to draw drafts on any customer, and if he will meet the terms of his order this will not be necessary. We never wish to offend or estrange a customer if he is worth keeping, but we do try to make it clear that our terms are not meaningless.

Some of the smoothness of the running of our Credit and Book-keeping Departments must be attributed to the efficiency of our mechanical equipment, which we are now on the verge of improving still further. Our book-keeping, adding and billing machines are all motorized, and we shall soon have a new fleet of book-keeping machines which will automatically carry on extension operations and provide an absolute check on totals. These, with ledgers that fit them, and calculating machines to stand by them, will give us all we need for quick control of accounts. As fast as it can be done, we are standardizing all equipment for the sake of both uniformity and economy.

But regardless of advances in machinery of operation, I do not think our policy of stringent credit requirements and minimum credit operations will change.

New Britain, Conn.,

Gentlemen:

You have failed to reply to letter of

Subject

Please give us the desired information at once.

To

P. & F. CORBIN Division

FIG. 2. Failed to Reply Card (actual size 6¼ x 3½)

The Tendency to Sell Anyone

Discouraged by a Publisher's Credit Manager

By Edward Bryan

The author of this article has been employed by two leading book publishers and was at one time proprietor of a retail book shop.

"THERE ARE," concluded Dobson, "at least 5,000 shops in the United States devoted exclusively to books. Many of these are small, one-man or one-woman shops. I want to see you boys get their business—especially you Wilkins and Hartness," addressing the two youngest members of the staff. "We are getting our share of the large shops, but there is a big potential field among these little fellows which we should not overlook. Let's get after them. That's all." Arthur Dobson concluded his brief monthly sales talk with a smile, and then answered the questions which his men asked.

That Dobson could successfully retain the sales managership of Carrus and Company, though still in his twenties and with most of his experience in other lines was a tribute to his ability and personality. Every man in the place liked him. He was energetic. He demanded results. But he was far too human to be a martinet or driver.

One reason for his success was Jim Crane, the Credit Manager, who was his firm friend. The two men worked together and, for the last eighteen months, Carrus and Company was generally conceded to have one of the best co-ordinated sales and credit departments in the publishing business.

Crane always sat in at the salesmen's meetings. He thought it was worth while, as part of his job, to cultivate the friendship of the sales force. His suggestions were welcome and helpful. They were never made, however, in open meeting, but privately to Arthur Dobson. The two men would thresh the matter out together. Whatever decision seemed correct, in the light of known facts, was accepted and neither was ever piqued because his idea had been rejected. No wonder there was co-ordination between the two departments.

This morning, after the men had left the monthly sales meeting, Jim Crane spoke up.

"Nice talk, Arthur."

"Thanks, Jim."

"Don't quite agree with you on all

points," added the Credit Manager kindly.

"Jim—all credit managers were born cynics."

"Perhaps they grew that way. Busy today?"

"Not too busy for you." Dobson knew that Crane had something up his sleeve.

"Fine. We'll have a long lunch together at 12:30."

"Good."

"I'll drop down." Crane left to resume his morning's work.

Crane indicated that he would need a little time. It did not however mean dawdling over a heavy noon-day meal. He and Dobson ate a modest lunch in about thirty minutes and then climbed into a street car. As they rode uptown, Crane explained something of his object to Dobson.

"Arthur, I am going to let you see me sell an order of books."

Dobson looked puzzled.

"No," continued the credit manager,

"your job is not in danger, and I am not going to try to get transferred to your department. You'll understand it all later."

The two men left the car in a mid-town district that had not yet completed its transition from a residential to a business section. In a few moments on foot they came to a small bookshop.

It was evident from the greeting Crane received, that he was a familiar figure in Thomas McQuinn's shop.

McQuinn was Mid-Victorian in everything but literary taste and he was proud of it. Progress, efficiency, merchandising and turnover were, in his opinion, mere catchwords. There

were certain things that simply weren't done. One was making a business of bookselling, which, to him was a profession. His enthusiasms were as quickly kindled today as they had been twenty years ago. If the books he bought did not sell, he did not regard this as an error in judgment on his part, but as lack of taste on the part of his customers.

As a shop, McQuinn's was an anachronism in these days of efficient retailing. Its chief characteristic was repose. One felt that the books which overflowed shelves and tables, and were even piled on the floor in corners, had been there a long time. The blanket of dust confirmed ones suspicions.

To Crane, an inveterate bookman himself, McQuinn's was not an unusual type of the small bookshop of the older order. To Dobson, who had had nothing to do with books previous to his association with Carrus and Company, and whose sole idea of bookshops had been formed through department stores, syndicate shops and such well organized places, McQuinn's seemed a hodge-podge of books and dust.

(Continued on page 42)



"When the first-of-the-month statements come."

One of the first impressions that every new executive of Carrus and Company received was that a great many matters were "referred to J. Crane." Behind the glass door marked "James Crane, Credit Manager," they discovered a man whose thinning, whitened hair and finely wrinkled skin might indicate age, but whose twinkling eyes, hearty handclasp, vigorous walk and constant activity would shame many youths.

Jim Crane had gained his early business experience in a day when there was not as much specialization as at present. He had felt, however, the trend towards departmentalization and had fitted himself for credit work because, as he explained, it was so "human."

To many, this viewpoint seemed odd. But James Crane regarded his accounts as very human documents, denoting the struggles of the individual, his successes and his failures. Unofficially, he had helped many a bookseller to his financial feet. Dishonesty of any sort he abominated. But there was little he would not do to help an honest man regain his credit standing and carry on his business.

"Long lunch" was a phrase by which

Is a Credit Manager Needed?

His Relation to Credit Insurance

By K. L. McCurdy

Asst. Sec., The American Credit Indemnity Company of N. Y.

RETURNING to the office from lunch, Thomas A. Gordon, President of a well known manufacturing concern, stopped at the Security Trust Company to seek the advice of its President, J. C. Smith.

"Mr. Smith," he said, "A credit insurance agent spent most of the morning at our place talking to the Treasurer and the Credit Manager. They think we should have protection for our credit sales and came to me just before noon for my opinion. I had never given the subject much thought—in fact, I know very little about credit insurance. I gave the salesman a short interview, however, and finally promised all three that I would consider the matter."

"I remembered your telling me some time ago that you had made a thorough study of the subject and I decided to stop in and get your views. There are a few things I can not entirely reconcile in my own mind."

"Yes," said Mr. Smith, "I have been interested in the development of credit insurance for the past three or four years and I believe I have a fair understanding of the subject. I shall be glad to give you my ideas, Mr. Gordon. What is troubling you?"

"Why," asked Gordon, "is it necessary that our company should employ a trained credit manager if my accounts receivable are protected by credit insurance? Is a credit manager necessary?"

"Well, Mr. Gordon, every line of business with which I have come in contact has sooner or later developed a question peculiar to itself—one it is repeatedly called upon to answer. I should say that the question you have just asked is one of those frequently met with in credit insurance."

"To begin with Mr. Gordon, your question presupposes that the duties and responsibilities of your Credit Manager are the same as those of credit insurance. Yet their functions are, in reality, entirely separate. They are not paid to perform the same services. It will be necessary to have a clear understanding of that fact first and to do so, I will have to ask you to follow me through a simple little diagram."

Mr. Smith took pencil and paper and drew the sketch shown on this page.

"This," continued Mr. Smith, "gives a graphic representation of a credit extension. It illustrates the fact that a credit investigation affects only the decision to ship or not to ship. Even though you employed the shrewdest credit executive in the country, he could not guarantee that every account he passed for credit would be paid when due. His O. K. on an order would simply mean that the customer under investigation was apparently sound and worthy of credit at the time. It could not of course be a guarantee as to his condition at the date of payment."

"No credit manager would voluntarily extend credit to an unsound customer."

THIS frank argument in favor of credit insurance covers many of the questions on this subject arising in the credit executive's mind.

The Editor will welcome comments from readers of the CREDIT MONTHLY on this article and on credit insurance.

Yet failure liabilities in 1925 amounted to almost 480 millions. A large proportion of the accounts represented in that total must have been passed by credit departments and must have appeared safe enough at the date of shipment. How, then, does business lose such enormous sums every year?"

"In other words," said Mr. Gordon, "a credit investigation is a means of determining the present condition of a customer, without relation to any possible future developments."

"Exactly" answered Mr. Smith, "This brings us to the right hand portion of the diagram. I have set down there some of the outstanding business 'diseases'—conditions that may not be detectable at the date of shipment, or that may develop between that date and the date the invoice becomes payable. These conditions, alone, decide a customer's ability or inability to meet his obligations."

"Such conditions cause most failures. They may operate over a period of many months, gradually draining a concern's resources; but if a concern fails owing you money, it is because these conditions have crystallized into a situation where the concern finds itself without sufficient capital to continue its business. Furthermore, you generally learn of this crystallizing process after your goods are shipped. Otherwise, the concern's order would never have been passed for credit."

"In speaking of this interval between the date of shipment and the date of payment, Roger Babson has pointed out that what happens then is usually caused by the trend of fundamental business conditions, which are entirely beyond the control of the individual concern."

"Even if the Credit Manager does everything possible to seek out the sound customers and ships only to customers who are apparently sound, he cannot possibly be forewarned of any subsequent unsound condition and cannot prevent loss."

In fact, if he take reasonable precautions, it is an injustice to hold him responsible when losses do occur.

"The largest credit losses, those that result in the greatest damage, are the losses that come from credit extended to customers who are apparently sound at the time, but who later become insolvent, because of outside business conditions. Do you follow me, Mr. Gordon?"

"Yes," answered Gordon, "but you were going to show me that the duties and responsibilities of our Credit Manager are not the same as those of credit insurance—"

"I am coming to that now," continued Smith. "Is it not reasonable to say, that if a loss is caused by conditions arising after shipment, then the shipment of goods marks the end of your Credit Manager's responsibility?" He is helpless in the face of those conditions. Can he be held responsible for something that is beyond his control?"

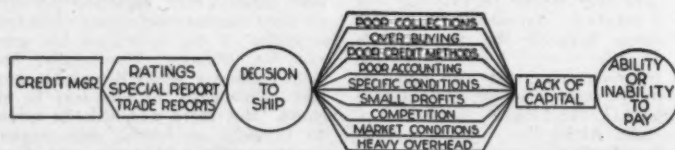
"In seeing that goods are shipped only to concerns deemed, by the highest standards, worthy of credit, the credit manager performs an indispensable service. Nothing can act as a substitute for the knowledge and experience which fit him for his position. Up to this point, your credit manager must function. Once your goods are shipped, however, the responsibility is passed to credit insurance. Nothing else can afford protection against calamities that may befall your customers between the date of shipment and the date the invoice falls due, and that may result in their inability to meet their obligations."

"It is this dividing line at the date of shipment, that separates the services of your Credit Manager from those of credit insurance. One serves you by placing your goods in the hands of those customers who are most responsible—a service requiring the extreme of knowledge and skill. The other serves you by affording protection against the destinies of those customers who have been chosen as most responsible."

"That sounds logical to me," said Gordon, "I see no other way of explaining the fact that credit losses run into the millions every year. Credit managers would surely avoid those losses if possible."

"They would indeed," agreed Smith. "Now," he said, "if you are still wondering about the necessity of the credit manager, we might look at the problem from the standpoint of actual underwriting practice and every-day use of the insurance."

(Continued on page 44)

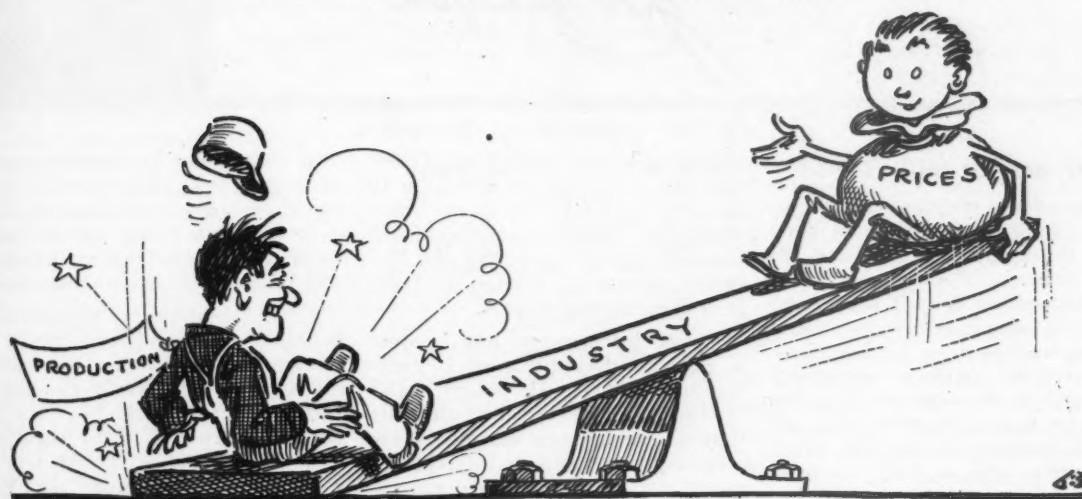


Why Unemployment?

Sixth Article in Credit Monthly's Series on Economics

By Bernard Broudy, B.S., M.B.A.

Assistant to Director, Department of Education & Research



The artist's sketch illustrates the relation of production to prices. When production goes up, prices come down, but as soon as prices lower, production comes down too and so prices go up again.

THE QUESTION has often been asked how it happens that an economic system which regularly absorbs the new generation coming into industry each year is unable to absorb all of the workers who are willing to work. No matter how active production may be, there are always some people who want to work and are unable to find employment.

The principle on which the whole system is based is specialization. The specialists must co-operate before they can produce anything of use, and if the co-operation is defective, the system will work badly. Specialization without co-operation then is the first great danger to which the present system of production is exposed. In the single firm there is the general manager who sees to it that all the departments of the firm work together smoothly. But co-operation between specialized firms in an industry is as important as co-operation between separate departments of a firm, and there are no general managers of whole industries. Society must rely on its organizers to secure the necessary harmony and teamwork, but the organizers often fail.

One difficulty in the way of perfect co-operation is the fact that different industries require different lengths of time for the delivery of their products. An increase in the exports of certain manufactures may lead to an increased demand for ships to carry the products; the shipbuilding industry, responsive to the increased demand, enlarges its output, but by the time the new ships are ready, several years may have elapsed and the need for the increased shipping have disappeared. The result is a serious check to the shipbuilding industry.

Another difficulty in the way of co-operation is the lack of mobility in the factors of production. There may be

firms working below their full capacity in one part of the country because of a lack of labor, while in another part men are on short time or unemployed for some purely local reason. It takes time for the owners of the idle machinery and the owners of the idle hands to find each other. Also, the methods of industry are constantly changing, new processes, new material, new machines, new markets, new systems of organization are constantly being adopted. But labor, capital and land are all specialized, and any change in method renders them less useful until they can be adapted to the new methods. Clay calls this loss of value, which they suffer, a kind of bad debt which society must write off before striking a balance of the advantages of specialization.

Imperfect Anticipation of Demand

The second principle of our present organization that bears on the problems we are considering is the principle that production as a whole is carried on in anticipation of demand. Specialization has been carried so far, and has resulted in an organization so complex, that the production of most commodities begins many months before they are required. The goal of most production is the retail counter, and the consumer expects to be able to get what he wants at that counter without giving notice beforehand. Production as a whole is therefore carried forward on an estimate of demand.

Consequently, any error in the estimate of demand will cause a hitch in the economic machine. Although the demand for most things is fairly stable, public taste changes and things are made which, when complete, are not wanted. The error is generally made on the side of overproduction. This does not mean

that more of the article is produced than can be consumed or used; it does not even mean that more has been produced than can be sold. What it does mean is that more of the article has been produced than can be sold at a price big enough to repay its makers the cost of production plus a fair profit.

The absence of any central control of production encourages such overproduction. Each of a number of competing firms may anticipate accurately how much the public will take at a given price, and yet overestimate the proportion of the total demand which competition will allow him to secure. The result is that each puts on the market more than his fair proportion, and the total amount is greater than the public will take at the price which the producers counted on getting. One of the great advantages of trusts and combinations is, as was noted in a previous article, that it lessens the risk of committing this error of anticipation.

Cyclical Trade Fluctuations

Alternating overproduction and scarcity, with their consequences, unemployment and overtime, can be put down in any single trade to the failure to anticipate demand accurately and adjust supply to demand evenly. However, when all or most industries fluctuate at the same time, other reasons must be advanced. Without pretending to offer a complete explanation, several suggestions may be offered.

The first is intertrade dependence. The separate trades are one another's customers, so that depression in one affects the others. If the building trade slumps, the steel trade, the cement manufacturers, the brick works, the lumber yards, trans-

(Continued on page 46)

The Credoscope

J. H. Tregoe



Hurting An Old Friend

Many of our present credit managers do not know about the dark paths through which we had to grope before credit became a real ally of business. Why is it that the nation's economic development was so slow and at times so laborious prior to 1896? After a century of national life, we were not rich, we had but a tiny amount of gold and a small commercial deposit. After 1896 there was a rapid upward turn and in three decades we increased our national wealth at least four times what it was in 1896, increased our currency circulation 300 per cent and our commercial deposits on demand at least 700 per cent.

Was it not because the National Association of Credit Men had given to credit a facility which it never before enjoyed, which facility was brought about by a sincere co-operation expressed in the pooling of information? A large business on credit terms was made possible when it would not have been at all safe with credit not better understood and used than it was prior to 1896.

Undoubtedly the interchange of credit information was at the base of our progress and has been one of the best friends American business has ever had. In the earlier days it was comparatively easy to carry on the direct interchange of credit information without inconvenience; but with the spread of our business, the rapid increase in our credit accounts, we have found it necessary to offer an economic medium of credit information interchange in the form of Interchange Bureaus.

The Credit Interchange Bureaus have proved themselves of such economic value and such a strong supporter of credit information that wherever available they should be used by members of the National

Association of Credit Men. They will not, however, be available to all and, therefore, the direct interchange of credit experiences will proceed side by side with the Bureaus' operations, though we trust in a diminishing degree.

Direct interchange has become so roundly abused that many credit managers seriously resent it and are considering cutting off this type of interchange entirely. Now such a good friend as interchange should not be abused. We do not leave the entertainment of a personal friend to a child or a servant, and I cannot understand why credit departments sometimes leave this old friend, direct interchange, to the attention of subordinates only.

One credit manager wrote me recently that during March he had received no less than 252 direct inquiries and of the number but 39 were made out in proper form! Calculate, if you please, what this costs. At least three minutes will be required for the answering of each inquiry, if it is done properly. This would require of my correspondent friend, for one month alone, 756 minutes or about 12½ hours. Calculating his time at a really nominal basis, the cost would be not less than \$30 for the answering of one month's inquiries; and yet, as he says, 85 per cent. of them were improperly drawn or unnecessary.

What does the average subordinate know about the rules of reciprocal interchange? What difference does it usually make to him what the inquiries are going to cost the fellows at the other end of the line? As a matter of fact, should anyone be asked to answer an inquiry on an exceedingly small order when general information is all that should be necessary?

Some credit managers feel strongly that reciprocal informa-

tion should not be furnished with their inquiries. This view I respect, but there are circumstances which urge us to do things for the benefit of the cause which would otherwise be unimportant or unnecessary.

Let me emphasize, therefore, in behalf of this old friend, direct interchange—one of the best friends that business has ever had—that direct inquiries should bear the accurate experiences of the inquirers, and that inquiries should not be made on orders so small that general information on them should be sufficient.

The Greatest Power in the Business World

Preaching has its merits and its compensations; but it is a religious force alone and its power to change people and correct unethical trends is usually a slow process. After generations the inventory of results in many instances is negligible.

As I have browsed for more than four decades in the fields of business, I have learned to realize that the greatest power in the business field is the banker. When there are errors to correct, unwise tendencies to check and reforms to bring about, preaching alone is a slow process, but the dictates of the banking fraternity operate immediately. We can understand why banks, as our reservoirs of credit, exercise such extensive powers—why they are the prime ministers of many of their borrowers. Business could not function without these reservoirs of credit that are just as necessary as are the reservoirs of water to the sanitation and life of a community.

The powers of our banking institutions have grown enormously in the past fifty years. In 1876 there

were 2086 national banks with a combined capital of 505 millions, deposits of 629 millions, and loans of 963 millions. Their circulation was 315 millions and their specie holdings but 17 millions.

In 1921 there were 8,155 national banks with \$1,276,000,000 capital and \$1,566,000,000 surplus and profits; loans of \$10,978,000,000; deposits of \$12,144,000,000 and circulation of \$705,000,000.

The national banks have made still more progress since 1921 and all of the commercial banking institutions of the country show total resources exceeding many times the resources of fifty years ago. When the Nation began to expand its borders into the northwest and the southwest, land speculation became rife; there was an orgy of it in the first two decades of the Nineteenth Century. The banks of those days did not restrain the speculative tendency but on the other hand helped it along. The crash came in 1819, overwhelming many mercantile and banking institutions. In all of our industrial and financial history I can find recorded no great financial disaster which was not caused largely by some lapse of the banking judgment. This was patent to us in 1919 when the speculative fever gripped so many of our banking institutions. At that time they helped to bring about a condition which left nothing but disaster and wreckage in its wake.

My respect for the power of our banking institutions is most profound; but I feel that in too large a number of instances the money lending instinct rather than the safeguarding instinct is uppermost and eventually plays havoc with credit.

Most dangerous tendencies in our business situation can be corrected almost overnight if the bankers' judgment is exercised in the direction of safeguarding conditions. In no business institution is it so important that credit fundamentals should be understood and lived up to as in the bank. A slip in banking judgment or the indulgence of speculative tendencies exacts a heavy price and is far more serious than the mistakes of judgment made by credit departments in appraising the safety of buyers. The National Association of Credit Men can preach day in and day out against injurious or unwise credit practices, but if the banks are helping to keep these practices alive the preaching is likely to be in vain.

If the nation is going too far in speculative tendencies and yet the banks are willing to loan funds for speculative purposes, what matters it how much the tendency may be preached against—things go on merrily until the day of reckoning and the crash comes.

This would be a fine old world for business if every bank were a seat of credit wisdom and justice, where the loaning of funds was subordinated to the safety of institutions and the public.

Our Responsibility for the Suppression of Commercial Crime

The splendid effects, correctional and moral, of the Credit Protection Department of the National Association of Credit Men since its re-establishment within the year, have shown conclusively that crime cannot be winked at without breeding a multitude of offenders. The Department witnessed recently as the result of its efforts, the conviction in Detroit of a bankrupt, Arthur Rosenberg, and a merchant creditor in Chicago whom he induced to be the stake-holder of a certain sum to guarantee some of his creditors in Chicago an additional 15 per cent. of their claims if they would vote for the confirmation of a 20 per cent. composition.

Upon the bankrupt and his confederate in this scheme to defraud were imposed prison sentences. The presiding judge called first the merchant to hear his sentence. For this convicted man earnest pleas had been made to the Court for clemency and the imposing of merely a fine. The judge said most impressively:

"Sentences are not imposed altogether as a punishment upon the one who has been convicted nor altogether with a view to his reformation; but conditions in the criminal world at large make it quite necessary that a third element shall be considered, and that is the effect upon the public in general. If, after defendants have pleaded not guilty and have been given a fair trial by twelve of their fellow citizens who come to believe them to

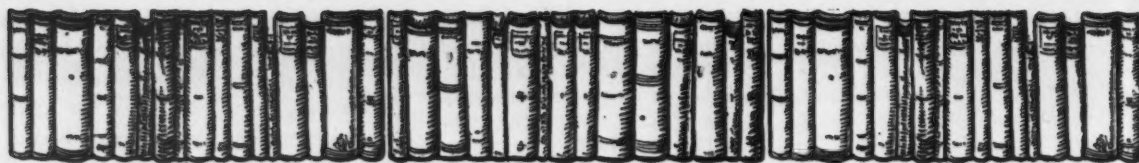
be guilty, and the duty devolves upon the Court to impose punishment, if the Court then becomes lenient, listens to pleas for mercy and sympathy and imposes, because of that, a light sentence, it is heralded immediately, among those who are most interested in knowing, that one can continue to commit those crimes and those offenses against that particular law, and that if, perchance, he is caught and after a skillful defense is convicted, that then a light sentence will be imposed."

We were grateful to the Court for its truly judicial attitude toward these offenders. The moral effect of the decision will save a great deal, in the long run, to legitimate business.

When the gates are thrown down and it is comparatively safe to steal in business transactions where the evidence is difficult in most instances to ferret out, the uneconomic and immoral results are very apparent. Because in the past the National Association of Credit Men was doing this protective work in only a sporadic and limited way, commercial crime increased and in recent years exacted a heavy toll from business.

Though many months have not passed since the Credit Protection Department was installed with a large fighting fund back of it, yet it has been well equipped and at present has a good force of competent investigators at work, which force will be materially increased as the entire country is organized. The Department in ten months recorded 62 convictions, has handled 719 cases, and secured 343 indictments, of which 263 are now pending.

When crime is pursued relentlessly and the offender is sought out, no matter how cleverly he has attempted to cover his tracks, the effect of this work on the criminal is inclined to be very apparent. When such work is aided by the bench in the imposing of proper sentences on convicted offenders, the resulting restraint is difficult to estimate, but it is a wholesome and effective restraint. I can say with the utmost confidence that in all of its worthiest efforts the National Association of Credit Men never attempted anything more beneficial, protective and saving than the raising of a large fund with which to drive back the rising tide of commercial crime.



The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

Credit for Agriculture

THE FEDERAL INTERMEDIATE CREDIT SYSTEM. Claude L. Benner. The Macmillan Co., N. Y. 1926. 375 pp. \$2.50.

Fifteen short years ago it might have been said that from the point of view of rural credit facilities we were the most backward of all the nations in the Western world. Today American agriculture is served by more types of credit institutions than any other industry we have. It has two special credit systems of its own, and in addition is able to call upon all of the facilities that are available to the manufacturers and distributors of goods.

This book, one of the publications of the Institute of Economics, bearing the MacMillan imprint, was prepared by Claude L. Benner with the aid of the Council and staff of the Institute. It attempts to portray the economic and political conditions that gave rise to the Agricultural Credits Act of 1923, and to appraise the value of the new institutions created by this legislation.

The study is limited to the consideration of the Federal Intermediate Credit system, and passes no judgment on the amendments which were made to the Federal Reserve Act by the agricultural credit legislation. No attempt is made to give a verdict on the advisability of the Federal government's owning and operating the Intermediate Credit Banks or of giving them the power to issue tax-exempt securities. It is announced, however, by Dr. Harold G. Moulton, Director of the Institute, that his staff is making a separate study of the whole subject of tax-exempt securities.

There are two general divisions in the book, the first concerned with the evolution of the intermediate credit problem and the second with the Federal Intermediate Credit system. The exact functions of the Intermediate Credit Banks are described with admirable clearness. These banks were established both to supplement the work of country banks and to provide other discount facilities for agricultural paper. They are government institutions; they do not make loans direct to farmers but, under the system, farmers may go for loans to any one of eight institutions: (1) National bank; (2) state bank; (3) trust company; (4) savings institution; (5) agricultural credit corporation; (6) incorporated livestock loan company; (7) co-operative bank; and (8) co-operative credit association. The Federal Intermediate Credit Banks stand ready to purchase or discount agricultural paper for any of these institutions.

Four significant conclusions are reached:

(1) The Federal Intermediate Credit Banks, with the agricultural credit cor-

porations, can improve the financing of the range cattle and sheep industry.

(2) A strong case has been made for the necessity of maintaining these banks for the purpose of financing the co-operative marketing associations.

(3) The most fundamental service rendered by the new system to agriculture is that of providing a wider market for agricultural and livestock paper.

(4) The Federal Intermediate Credit Banks furnish an efficient connecting link between local credit agencies and investing institutions in the large industrial centers of the country.

A Symposium on Population

POPULATION PROBLEMS IN THE UNITED STATES AND CANADA. Edited by Louis I. Dublin. Houghton Mifflin Co., Boston, 1926. 318 pp. \$4.

The American Statistical Association, at its annual meeting in December, 1924, devoted its entire program to population problems. This volume, published by the Houghton Mifflin Company for the Pollak Foundation for Economic Research, is an outgrowth of the papers presented at that meeting, prepared under the editorial supervision of Dr. Louis I. Dublin, statistician of the Metropolitan Life Insurance Company and president for 1924 of the American Statistical Association.

There are six parts, the first consisting of a single introductory chapter by Dr. Dublin on "The Statistician and the Population Problem." Part II is headed "Statement of the Problem" and contains three chapters. E. B. Reuter, professor of sociology in the University of Iowa, writes on "Population Growth in the United States." Warren S. Thompson, director of the Scripps Foundation for Research in Population Problems, Miami University, on "Natural Increase in Population." and Hornell Hart, associate professor of social economy at Bryn Mawr, on "Urbanization of Population."

In Part III, "Population and Natural Resources," A. B. Wolfe, professor of economics, Ohio State University, discusses "The Optimum Size of Population;" Don D. Lescohier, professor of economics, University of Wisconsin, Population and Agriculture;" Alonzo E. Taylor, director of the Food Research Institute at Leland Stanford, "Agricultural Capacity and Population Increase;" and F. G. Tryon and Lida Mann of the United States Geological Survey "Mineral Resources for Future Populations."

"Population and Immigration" is the general subject of Part IV. The papers included are: "Racial Composition of the Population" by Henry Pratt Fairchild, professor of sociology, New York University; "Effects of Immigration on the American Type" by Alex Hrdlicka, curator of the Division of Physical An-

thropology, United States National Museum; "A Rational Immigration Policy" by W. W. Husband, formerly Commissioner-General of Immigration; "The Immigration Problem of Canada" by R. H. Coats, Dominion Statistician, Ottawa, Canada; and "Immigration and National Life" by Alexander Goldenweiser of the New School for Social Research.

Part V is devoted to "Population and Labor Supply." George Soule, director of The Labor Bureau, Inc., deals with "Training and Direction of our Labor Supply;" Bryce M. Stewart, director of employment and insurance for the Amalgamated Clothing Workers, with "Restrictive Immigration and Employment;" and "Effect of the Employment of Women on Population" is treated by Bessie Bunzel and Robert Vane, Jr., of the Metropolitan Life Insurance Company.

The concluding section, "Outlook for the Future," contains a chapter on "Effect of the Health Movement on Future Population" by Samuel J. Holmes, professor of zoology at the University of California; one on "Family Allowance Systems and the Future of Population" by Paul H. Douglas, associate professor of industrial relations, University of Chicago; and one on "Trend of Population with Respect to a Future Equilibrium" by R. M. Mac Iver, head of the department of political economy at the University of Toronto.

The symposium method is obviously well designed to bring out the varying aspects of an important economic problem such as the one treated in this book. Each one of the twenty-five authors is an acknowledged authority in his or her field, and the publication of this timely volume will shed much light on certain population problems that have been, up to now, somewhat obscure.

An Airplane View of Economics

FIRST ECONOMICS. James Edward Le Rossignol, Ph. D. A. W. Shaw Co., Chicago. 1926. 183 pp. \$2.

This primer of economic principles will come to many credit managers with all the weight of a personal message, for Dr. Le Rossignol, who is Dean of the College of Business Administration of the University of Nebraska, is an old friend of the National Association of Credit Men.

One characteristic of good primers is that they avoid long-winded discussions, breaking up their material into sections that can be comfortably read and thoroughly digested. Dr. Le Rossignol's book is so constructed. It has 183 pages, but there are 60 chapters, and one who has studied trigonometry and calculus can easily figure out that the chapters

(Continued on page 49)

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In Winter and Summer the Lunch Car Makes Its Appeal

Installment Plan Benefits Buyer

By Geo. F. Baright

P. J. Tierney Sons, Inc., New Rochelle, N. Y.

EVERYONE is familiar with the modern lunch cars which can be found in nearly every street or at a good traffic point in almost any eastern city, but few perhaps know the extent of the business and its wonderful growth and the conditions which have made it possible.

Lunch cars are manufactured by P. J. Tierney Sons, Inc., New Rochelle, N. Y., a concern that has been engaged in this business for about thirty years and occupies a unique place in the field of public service. The cars are really completely equipped restaurants on wheels and in them can be obtained exactly the same type of meals that one can get in the better grade of popular restaurants, except that the food is exceptionally good and the service particularly prompt and efficient.

The equipment of the cars, from the tile or enamel refrigerators, often mechanically cooled, to the coffee urns and other devices of the modern lunch car, is of the highest grade. The car itself is tiled and has seating accommodations for from 17 to 25 people.

These cars sell for from \$7250 to \$10,000. Imagine a lunch car costing as much as a house! And they earn anywhere from 50 to 100 per cent. annually on the investment. The men who purchase these Tierney cars and operate them are rarely rich men, but many of them have

grown wealthy in the business, and the way the industry is handled is a striking example of how credit may be successfully used to build up a business. Almost all the cars are sold on a payment down, the payment rarely being over 20 per cent of the purchase price, and a series of monthly payments is made out of the earnings of the car itself. These payments are represented by notes which are executed by the purchaser when the car is ready for delivery; and these notes come due every thirty days in regular order and bear interest at six per cent. No bonus or finance charge is required.

These notes are immediately discounted at any one of the thirty banks with which P. J. Tierney Sons do business. This is an exceptionally good arrangement for the purchaser, because he is charged nothing for this service except the legal rate of interest.

There is no hesitation in accepting these notes with the Tierney endorsement; and the experience of the banks in handling them is said to have been very satisfactory. The percentage of lunch car proprietors who fail to pay their obligations is almost negligible. Of course there are times when the purchaser finds it difficult to meet some note in full; but the company always so arranges matters with him that he can make a partial payment and extend the balance until a later date.

The combination of earning power of

the car under the direction of a good operator, and the bank facilities available to the manufacturing concern,—the whole being controlled and directed by expert management,—enables a man who has only a small amount of capital to engage in this business and eventually pay for a car which may cost \$10,000, principally out of the earnings of the business. In the end, he has a distinctly valuable asset—an established business in which he has developed lasting trade and good-will that are even more valuable than the car itself.

Working through the banks, in this way, the Tierney organization has established a credit of several million dollars, which is thus made available to its customers. One great advantage of the plan is that it assures the continued interest and close application of the owner to the business during the payment period. The habits of thrift and watchfulness being thus established, he will keep right on making money after the car is paid for. Another advantage is that it ties up the manufacturer's interest with the interest of the owner until the latter has made a success of the business and is cleared of debt. The seller's interest in the project is maintained.

This is one of the outstanding cases where the development of credit is even more valuable to the purchaser than the expenditure of an equivalent amount of cash would be.



31ST. ANNUAL CONVENTION NATIONAL ASSOCIATION OF CREDIT MEN

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E. J. McMANUS Omaha, Nebr.
McCord-Brady Co.
C. D. MACLAREN St. Paul, Minn.
Farwell, Ozmun, Kirk & Co.

J. W. MERIAM Cleveland, O.
Lincoln Electric Co.
D. A. MURPHY Indianapolis, Ind.
City Trust Co.
J. H. PATRICK Salt Lake City, Utah
Decker-Patrick Co.
F. B. RAMEY Atlanta, Ga.
The Texas Company
E. D. ROSS Portland, Ore.
Irwin-Hodson Co.
W. E. TARLTON St. Louis, Mo.
Brown Shoe Co.
LAWRENCE WHITTY Chicago, Ill.
E. V. Price & Co.
J. F. WOOD Richmond, Va.
Richmond Dry Goods Co.

DIVISION OFFICES

Eastern
One Park Avenue,
New York City.

Central
76 West Monroe St.
Chicago, Ill.
E. B. MORAN, Mgr.

Western
Wells Fargo Bldg.
San Francisco, Calif.
B. B. TREGOE, Mgr.

NATIONAL DEPARTMENTS

Adjustment Bureaus, E. PAUL PHILLIPS
Credit Interchange Bureaus, E. B. MORAN
The Credit Monthly, RODMAN GILDER

Credit [M. S. MATTUCK Eastern Div.
Protection [F. W. HILL, Central Div.
[FORD MORAN, Business Mgr.
Education-Research, F. A. FALL, Litt. D.
Foreign Credits, W. S. SWINGLE

Membership, JOHN W. H. ROSS
Publicity, M. D. BEUICK
Service, F. G. HATHAWAY



W. H. POUCH
V. P., N. A. C. M.
PRESIDENT, N. Y. C. M. A.



GEORGE H. WILLIAMS
CHAIRMAN
EXECUTIVE COMMITTEE



WILLIAM WALKER ORR
SECRETARY
NEW YORK CREDIT MEN'S ASS'N.

Leaders of Our New York Hosts

Executive Committee

THIRTY-FIRST
ANNUAL CONVENTION
National Association
of Credit Men
May 23-28, 1926



H. C. BAINBRIDGE, Jr.
CHAIRMAN
HALLS COMMITTEE



WM. FRASER
CHAIRMAN
FINANCE COMMITTEE



J. O. HOBBY, Jr.
CHAIRMAN
RECEPTION COMMITTEE



J. L. MEDLER
CHAIRMAN
PUBLICITY COMMITTEE



JOS. L. MORRIS
CHAIRMAN
SPEAKERS COMMITTEE



CHAS. E. MEEK
CHAIRMAN
ENTERTAINMENT COMMITTEE

The Convention Executive Committee consists of the above and of Curtis R. Burnett, William Y. Conrad, Charles H. Dahmer, Isaac Deutsch, David E. Golieb, John J. Hinchman, John H. Jephson, William F. H. Koelsch, Owen Shepherd. Mrs. W. H. Pouch is chairman of the Ladies' Convention Committee.

President Baden's Report

To the 31st Annual N. A. C. M. Convention

By Richard T. Baden

Holland, Baden & Ramsey, Baltimore

I INHERITED from my predecessor some exceptionally pleasant duties; and much of the advance made by the National Association of Credit Men during the period of my administration had its origin in the preceding and even earlier years.

No acute observation was needed to discover the progressive movements under way in the organization. Little executive direction was needed from your president to keep these movements flowing and to write another important and interesting chapter of the Association's history.

As the years go on,—it is now three decades since the Association at Toledo held its first Convention and a new generation of managers is at the helm of credit departments,—the work of our organization and its initial contributions to credit system and technique are likely to go unrecognized. I feel, therefore, in offering this report to our Thirty-first Convention, that a glance backward should be taken and facts presented which should seal our affection and respect for what the National Association of Credit Men has accomplished and for what it is still endeavoring in vigorous fashion to carry out for the benefit and protection of American business.

Until the eventful year of 1896, the Nation's industrial, commercial and financial progress was comparatively slow. We had functioned as a nation for more than a century. We had entered upon the steel age, with its processes for economically converting our large store of iron ore into steel. Beginning as we did in petroleum production, our natural resources were almost unlimited; but despite these allies of industry and trade, our factories in 1896 were operating on a diminutive scale. We had only a small amount of gold; currency in circulation was only a little more than one billion dollars, and commercial deposits on demand were about \$2,700,000,000. Prices in 1896 were lower than they had been in several decades. Credit moved sluggishly and was unsystematized. Competitors were usually brutal with one another and common trade practices were deemed legitimate which, if indulged in today, would bring the strongest reproach.

Co-operation was needed

Into this cloudy situation, when the Nation's business was ready to go forward but could not on account of its lack of certain necessary facilities, our Association made its bow as a quite feeble child. But from the feebleness of its first years wisdom issued and this new child in the business world announced emphatically that what the country's business needed most was co-operation.

In the field of credits, co-operation was first expressed in a freedom of interchange and the pooling of information that, above all facilities, permitted a proper appraisal of the risk and a wider circulation of commodities on credit terms.

The year 1896 ushered in the credit age. It is in this age that we are now living.

Without credit, the Nation's present day institutions of production, distribution and finance could not exist, and our large population could not be properly taken care of. The uses of credit affect every household and have a bearing on the happiness and welfare of every citizen. Through the instrumentality of co-operation, see what has been accomplished in three decades:

Our factories are highly developed with capacities to produce even beyond the abilities of our people to consume; our currency in circulation is nearly five bil-

lion dollars and our commercial deposits on demand are about 24 billion dollars. Our wealth has quintupled. It was no less than a marvel that, through the alchemy of a very simple principle, aided by a credit technique, we should have been able to make such rapid progress and give perfect freedom to the play of our native ingenuity in business and commerce.

Credit Facilities Ample

Credit has been made unusually widespread because of the vitality it gives



Harris & Ewing

RICHARD T. BADEN

Vice-Presidents of the National Association of Credit Men



WILLIAM H. POUCH
New York



GEO. J. GRUEN
Cincinnati



FRANK D. ROCK
Denver

to business. We have built up a credit power which at present exceeds that of any other nation in the world. We should be concerned now not with expanding but with preserving our economic power. With such ample credit facilities constantly at the command of our solvent and progressive institutions, production can be brought into a faster pace than our powers to consume, and one of the great questions before the country today is bringing production and consumption into the closest possible correlation.



J. H. TREGOE

Executive Manager and Treasurer of the N. A. C. M., who, besides offering his annual reports, will conduct several quizzes at the Convention.

Speculation is increasing because our credit facilities are as great as they are: yet we know that purely speculative enterprises throw open the doors of abuse and in most instances bring unhappy and unprofitable consequences.

Consumers' credit may be traded on too much; it is consumer's income that should be of primary concern. It is an easy process to build up a large peak of individual credits by sales of commodities based on income not yet earned; but it is equally possible that such a process with its inherent dangers may be overdone and bring grief to the amateur or to those who have not studied with sufficient care the proper uses of credit.

Upon our Association devolves the serious responsibility of continually and vigorously pointing out how credit should be used and calling attention to any tendency whereby credit is likely to be abused. We have not hesitated in all the Association's history to speak fearlessly when dangers lurked. In my opinion this service of the Association more than any other has entitled it to the respect and the confidence of the public.

As reports of the Association's various departments and activities will be presented in the course of this Convention, I am not going to anticipate these reports. But I will merely say that my observation as your President has made me feel that the Association's control has been wise and that its program has been conducted with the most careful and intelligent scrutiny.

I have enjoyed a most pleasant and constant relationship with the Executive Manager. I have attended frequent meetings of the Eastern Division Administrative Committee. I have visited a number of the local Associations of Credit Men. I have been favored with many letters from officials. I have observed the activities of the various National Association departments. I have followed closely the Divisional Managers and

through it all I am pleased to tell you that I have received most satisfactory impressions. I have the greatest confidence in the Association's future.

I must emphasize the need of increasing the interest of our members in local Association work and in cooperating generously with the activities of the National body; thus maintaining throughout the entire organization a spirit of co-operative fellowship that will bring about the satisfaction and progress that we all so strongly desire.

This report would be incomplete if I did not express myself in complete approval and encouragement of the Association's most forward-looking and protective project—the raising of a large fund for the suppression of commercial crime. Entrusting to your Organization, its fidelity and its skill, more than one million dollars to be spent for facilitating the prosecution and for preventing commercial crime was a great compliment to the Association, so far as my inspection discloses, the Divisional Credit Protection work has been of a high order. Those in charge, together with the Committees, have shown commendable skill and faithfulness.

There is much on my mind that I should like to impart to you in this report, but our full program forbids. Let me, in closing, express sincere thanks to my associate officers and Directors, the officials of Local Associations, and the personnel of the New York, Chicago and San Francisco offices, for their unflinching courtesies and their sincere desire to make my administration an entire success. What it has accomplished will be recorded in the Association's annals, but nothing more congenial was ever undertaken in my entire business career than serving as your President, receiving the highest office within your gifts to bestow, and serving in a position distinguished by great respect, sympathy and confidence.



Antoinette B. Hervey

CATHEDRAL OF ST. JOHN THE DIVINE

The Rt. Rev. William T. Manning, D. D., Bishop of the Diocese of New York, and George W. Wickersham, on Sunday afternoon, May 23, at 4 P. M. will address the delegates to the Thirty-first Annual Convention of the National Association of Credit Men who will attend the Vesper Service especially arranged for the delegates to be held at that hour in the unfinished cathedral, at Amsterdam Avenue and 112th Street.



Galloway

"BROAD AND WALL"

At the left on Broad Street is seen the overhanging pediment of the N. Y. Stock Exchange; across Wall Street towers the Bankers Trust Company building; facing south, on Wall Street, just beyond the J. P. Morgan & Company building, is the Sub-Treasury.

A Patron Saint for the Credit Fraternity?

If the Credit Fraternity chose a patron saint, it might well select the financial genius, Alexander Hamilton, who, at the age of 32, was appointed Secretary of the Treasury by President Washington.

Alexander Hamilton would be at home today in the money centre of the world, the core of which is Wall Street.

A statue of this graduate of Columbia University (then King's College) stands at Hamilton Hall, near 116th Street, New York, on the Columbia campus.

On Sunday, May 23, at 5:30 P. M., delegates to the Thirty-first Annual Convention of the N. A. C. M. will conduct a brief ceremony including the laying of a wreath upon the statue.



Galloway

ALEXANDER HAMILTON



Merchants Association

ARRIVING BY WATER FROM THE WEST

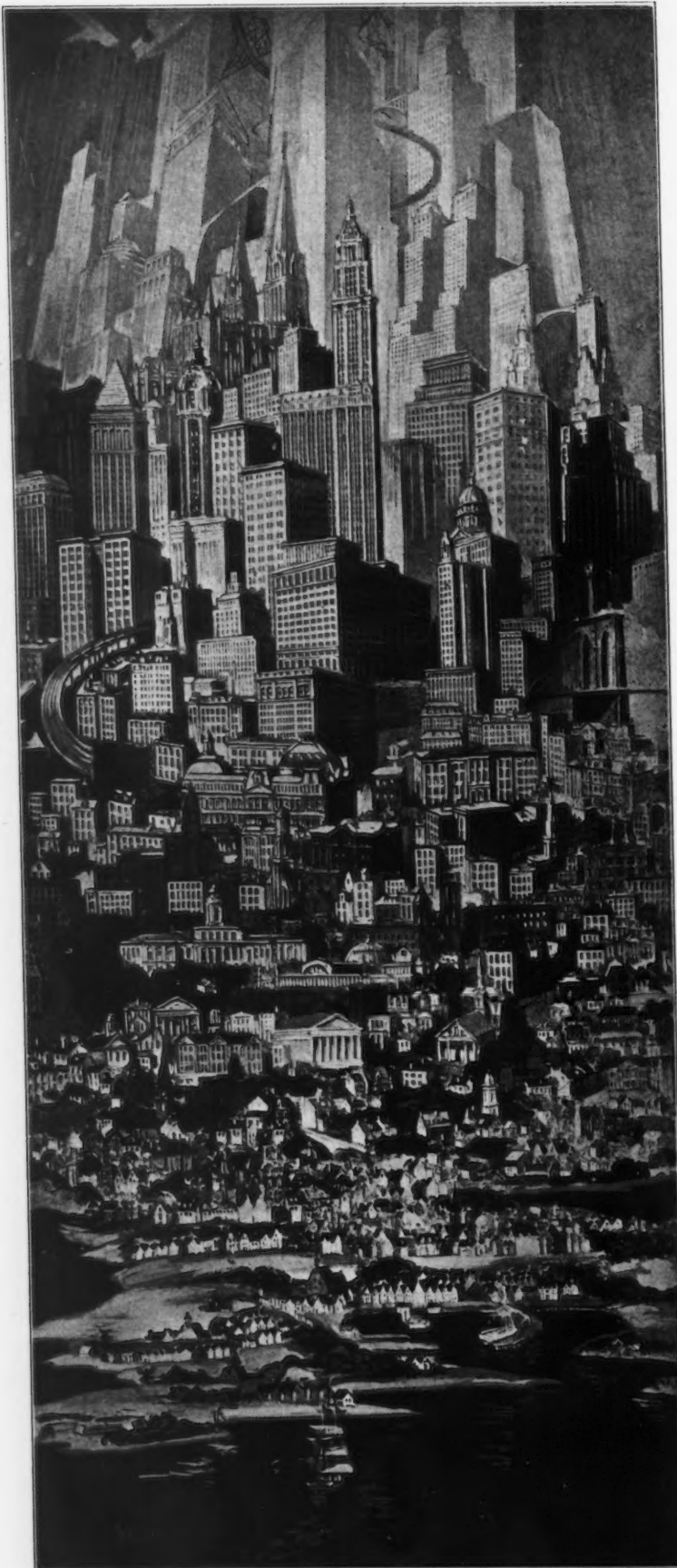
The splendid sky-line of New York is the first greeting to the visitor fortunate enough to arrive by water. From left to right, the larger structures are the Municipal, the Woolworth, the Park Row, the American Telegraph & Telephone, the Singer, the Equitable, the Bankers Trust Company, the Empire and the Whitehall Buildings.



Merchants Association

BATTERY PARK

Aerial photograph showing the Aquarium in the foreground and the mass of buildings at the lower end of Manhattan Island. On the cover of this issue of the CREDIT MONTHLY is a map made in 1664 when the city extended north only about half a mile from the Battery.



New York

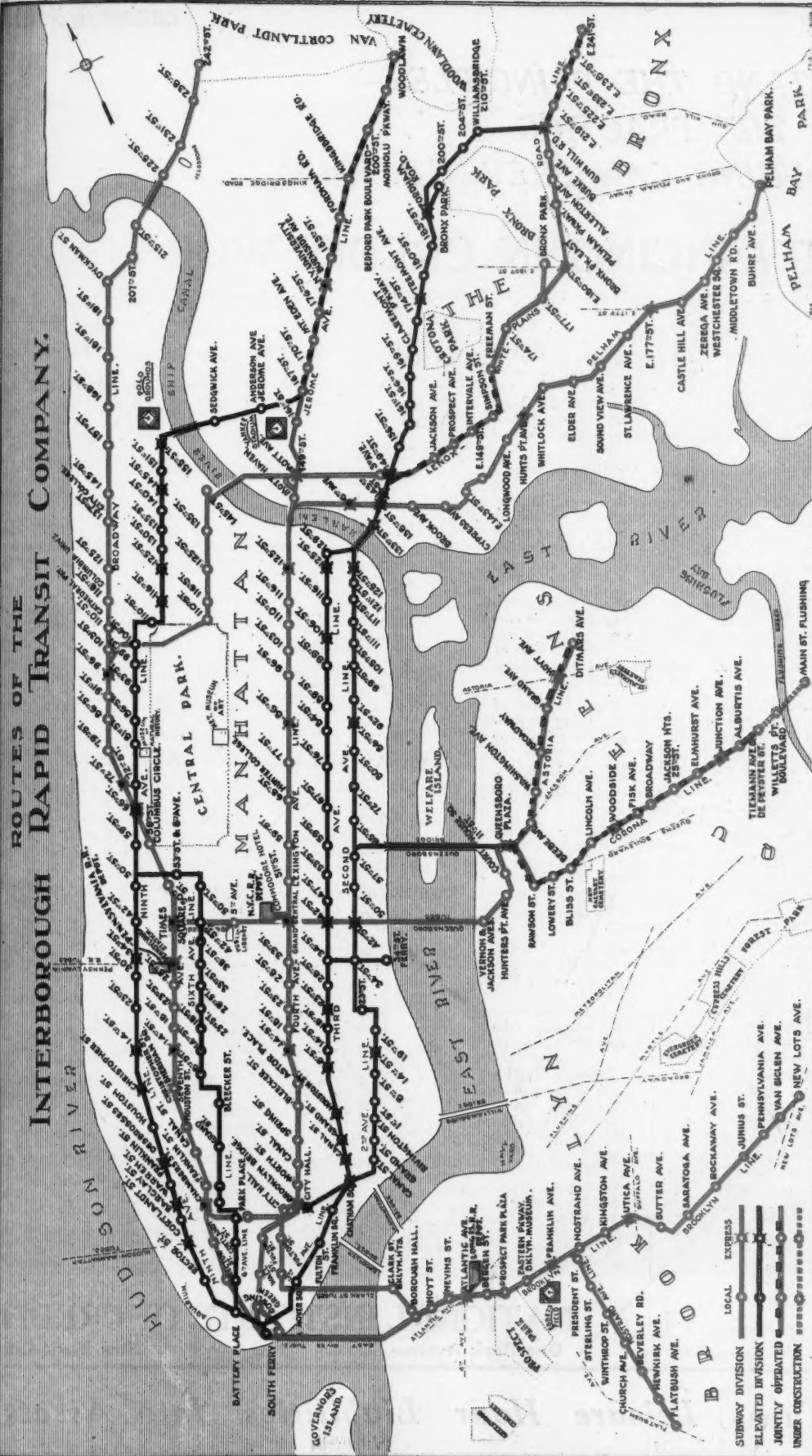
Future, Present and Past

It is said that the human mind cannot conceive an idea without being finally able to invent the means of realizing it. If this is true, the more futuristic parts of the painting reproduced here may some day be a reality. Willy Pogany, the painter, has looked into both the past and the future of New York, architecturally speaking,—with this picture as a result.

The city's beginnings are represented at the bottom of the picture by the cluster of early settlers' cabins. As the eye travels upward, we see a progression of buildings, growing taller and more attenuated, until at the very top, less clearly defined, we see a type of skyscraper as yet unborn.

Some such New York of double-decked sidewalks, far-flung bridges, and massed tiers of stone reaching venturesomely into the clouds is the vision of many modern architects and painters. This vision is born not solely of creative imagination, but also of an insight into the actual needs of the ever-growing city.

The original of the painting is no less than five stories high! It was made as part of the striking decoration of the John Wanamaker store at Broadway and Tenth Street during the recent Tercentenary celebration. It is reproduced here by kind permission of John Wanamaker.



Elevated and Interborough Subway Lines

UNDERSTAND THE PRINCIPLES — MASTER THE PRACTICE — AND NOTHING CAN PREVENT YOUR ADVANCING IN CREDIT WORK

Progress for the man or woman in business is marked by milestones in the form of increased responsibilities and better compensation. These evidences of advancement are won partly on the basis of experience, but they depend essentially on a far more important factor,—systematic education in the established principles which underlie sound business practice.

The purpose of the National Institute of Credit is to provide at the lowest possible cost to the student, educational training which will make advancement in business not a possibility but a certainty. In the credit field, the Institute aims specifically to qualify its students, whether beginners, credit men, credit managers or credit executives, to move up to the position which is immediately ahead of them and which represents the next logical step in their advancement.

The Institute is a Department of the National Association of Credit Men. Its educational work is carried on through two main channels—class room courses offered under the auspices of local credit associations in a number of cities, and correspondence courses conducted from the National Office at One Park Avenue, New York City.

Prospective students who are within traveling distance of one of the class room courses should, if possible, carry on their study in this way. By so doing they will get the advantage of personal contact with the instructor and opportunity for exchange of opinion and experience with other students.

Those who are not able to attend class room courses should arrange to take the correspondence work.

Correspondence Courses now offered by the National Institute of Credit are two: Credits and Collections, and Basic Economics. The material in each course consists of a text book, printed lecture assignments, and problems to be solved and sent to the Director of the Institute for correction and grading, after which they are returned to the student with grade and comments.

The text in the Credits and Collections course is "Credits and Collections," by David E. Golieb and Richard P. Ettinger, published by Prentice-Hall, Inc. In connection with this course there are five problems.

In the Basic Economics course the text is Henry Clay's "Economics for the General Reader" (the American edition, edited by Professor Eugene E. Agger, of Columbia University).

Correspondence courses in Business English and Accounting are being planned and will be announced as soon as they are ready.

Meanwhile a number of students are continuing their work toward the Institute's certificates by taking correspondence courses offered by educational institutions such as Columbia University and the University of Wisconsin.

DR. FRANK A. FALL,
NATIONAL INSTITUTE
OF CREDIT DEPT. 6,
One Park Avenue,
New York City.

Will you kindly mail me information concerning the following courses: (Check course desired).

"Basic Economics" ()
"Credits and Collections" ()

Name

City State

Street

Firm

Certificates The National Institute of Credit gives two Certificates, the Junior and the Senior Certificate. The Junior Certificate is awarded to students who have completed the following 300 hours of work:

Credits and Collections	60 hours
Economics	60 hours
Business English	60 hours
Accounting	60 hours
Law of Contracts, or Corporation Finance and Investment Credit	60 hours
Total	300 hours

The Senior Certificate is awarded to students who have completed the work prescribed for the Junior Certificate and 300 additional hours (a total, therefore, of 600 hours) in the following subjects:

Law of Contracts, or Corporation Finance and Investment Credit	60 hours
Principles of Business	30 hours
Merchandising	30 hours
Money and Banking	30 hours
Business Barometrics	30 hours
Business Law of Bankruptcy	30 hours
Negotiable Instruments	30 hours
Foreign Trade and Foreign Credit	30 hours
Credit Research	30 hours
Total	300 hours

Associates and Fellows in Credit.

Students who have been awarded the Junior Certificate and who have had three years of practical credit experience become Associates of the National Institute of Credit. Students who have been awarded the Senior Certificate and who have had five years of practical credit experience become (provided they are at least 25 years of age) Fellows of the National Institute of Credit.

Organization. The educational work of the Institute is under the direction of the Director of Education, aided by a Supervisory Committee, composed of a board of three business educators and three experienced credit men. The Committee on Credit Education of the National Association co-operates in establishing and maintaining local chapters.

Today is not too soon to get started on an Institute course. Fill out the coupon at the lower left-hand corner of this page and send it at once. By return mail you will receive a general prospectus of the Institute, special bulletins describing the correspondence courses, and registration blanks. The courses are \$15 each or \$25 if taken together. This is at cost. The aim of the Institute is not to make profits but to help to produce better credit men.

Even if you are not definitely engaged in credit work, or looking forward to it, remember that these courses will be of distinct value to you in any business. When new policies are to be formed, modern business turns to the man who is thoroughly trained in the principles of credit, for the man who knows credit knows business.

Mail the coupon today, and the Institute will give you full information concerning the courses. Then let the Institute help you to get a thorough knowledge of credit—the foundation stone of modern business.

NATIONAL INSTITUTE OF CREDIT
One Park Avenue New York City

Study Turns Leisure Hour Liabilities Into Assets



MUNICIPAL BUILDING, NEW YORK CITY

Federal, State and Municipal offices are housed within this unusually-shaped structure. It is unique in having no ground floor, but passageways between Lafayette Street and Park Row. The building stands astride of Chambers Street, at the Manhattan end of the Brooklyn Bridge

The Modern Cred



THE MODERN CREDIT EXE

- keeps his head clear for important decisions by so with every mechanical device that offers real effi

So smoothly does the mechanism run, that himself for calls upon the trade and for other i partment continues to function efficiently and at

The CREDIT MONTHLY Advertisers' Exhibit is Commodore, New York, (adjoining the main Co of the 31st Annual Convention of the National exhibit shows latest devices and essential servi department.

Credit Department



CREDIT EXECUTIVE AT HIS DESK

ant decision by setting up a Credit Department equipped
that offers real efficiency.

anism run, that the modern credit executive may absent
e and for other important duties. Meanwhile the De-
efficiently and at full speed.

tisers' Exhibit in the West Ball Room of the Hotel
ning the main Convention Hall), is one of the features
of the National Association of Credit Men. The
d essential services available for the modern credit



Galloway

WHEN THE CURTAINS RISE

Longacre Square, in the heart of the "White Way," is jammed with theatre-bound traffic at 8.40 P. M. At the left, Broadway runs into Seventh Avenue at a sharp angle.



Merchants Association

LOWER MANHATTAN AFTER SUNSET

When the winter sun sets, a million lights illumine the office buildings of lower Broadway for the last hours of the working day. The Singer tower is the most conspicuous building in this view, taken from the Woolworth Tower.

GRANT'S TOMB

The chief monument on Riverside Drive, New York, is Ulysses S. Grant's tomb, which overlooks the Hudson River.

COLUMBIA UNIVERSITY LIBRARY, NEW YORK CITY

(Below) As the visitor approaches the University from Broadway, he has this view, from 116th Street, of the Library, the center of Columbia's intellectual life.

Dr. Edwin R. A. Seligman, Professor of Economics at Columbia, will make a brief address on Alexander Hamilton during the ceremonies at Hamilton's statue at 5.30 P. M. Sunday, May 23. The statue is a few steps from the Library.



Merchants Association

Answers to Credit Questions

By Frank G. Hathaway

Manager, Department of Service

National Association of Credit Men, One Park Avenue, New York

Q. We herewith enclose our form of acknowledgment of orders, and would appreciate you advising us, if you consider that in sending it out, we are definitely accepting the order, which would then become a contract.

A. It is beyond the scope of the Association's service to furnish legal advice, and nothing more can be given than a statement of the principles of law regarding the acknowledgment of an order.

In the case of *Courtney Shoe Co. vs. E. W. Curd & Son*, 134 SW. Ky. 146, the following form of acknowledgment was held not to be an acceptance.

"Your order of 8/21/09 to our Mr. Hayes is at hand, and will receive our prompt and careful attention."

The Court said, "In determining what is an acceptance of an order when there is nothing in the conduct of the parties to show it, we think it is a safe rule that the words of the writing should be taken in their ordinary sense." An acknowledgment reading, "Same has gone forward to the mill for their attention" was held not an acceptance in the case of *Sheboygan Paper Co. vs. Swigart Paper Co.*, 104 Ill. App. 314.

Q. It has just been brought to our attention that in the state of West Virginia the costs of suit and 5 per cent attorney's fees, or whatever the attorney's fees are specified in a judgment note, cannot be collected from the maker of the note in the state of West Virginia. We have been informed that a judgment note is not any better than a plain promissory note in that state.

A. This subject is treated at length in the "Credit Man's Diary and Manual for 1926," pages 291-293. A stipulation for the payment of attorney's fees will not be recognized by the courts of West Virginia although a note is not rendered non-negotiable because it bears this provision. Judgment notes can be used only in the following states: Colorado, Delaware, Illinois, Maryland, Minnesota, Ohio, Pennsylvania, Tennessee, Virginia and Wisconsin.

Q. I notice that the Credit Man's Diary states that a conditional sales contract should be filed in Georgia. We are advised that the contract should be recorded instead of filed.

A. In this particular instance, the Diary is in error, and steps have been taken to correct it. The Georgia law requires that the Conditional Sales Contract be recorded, instead of filed.

Q. Chapter 3, section 14, paragraph A of the Bankruptcy Law, provides that "any person may, after the expiration of one month and within the next twelve months subsequent to being adjudged a bankrupt, file an application for a discharge in the court of bankruptcy in which the proceedings are pending."

1. Does this mean that a right of action

As to Legal Advice

THE Department of Service cannot give advice regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished by the Department only as to the general principles of law involved.

for settlement in full of an unsatisfied claim is to be had against the bankrupt who, after the expiration of one year has:

(A) Been refused a discharge for one of the reasons set forth in paragraph B of the same section?

(B) Not applied for a discharge within twelve months subsequent to adjudication?

2. What effect if any has it on the bankrupt if he does not apply for and receive a discharge, assuming that he was entitled to a discharge?

A. If a bankrupt has not applied for a discharge or has been denied a discharge within the time limited by the section of the Bankruptcy Law quoted by you, the creditors are at full liberty to proceed against the bankrupt for the full amount of their claims, just as though no petition in bankruptcy has ever been filed.

If a bankrupt does not apply for and receive a discharge, he waives his right to a discharge from his debts, even though, if he had made application for a discharge, it would have been granted without opposition.

Q. We have heard that there has been a recent law enacted that will permit the collection of accounts from an Indian. Can you verify this?

A. The Department of the Interior, Office of Indian Affairs, Washington, D. C., advises us that the only legislation which has been passed affecting debts or the collection of same, is the Osage Act of Feb. 27, 1925, which reads in part as follows:

"Any indebtedness heretofore lawfully incurred by guardians shall be paid out of the funds of the members, for whom such indebtedness was incurred by the Secretary of the Interior.

"In regard to the collection of indebtedness against all other Indians, the departmental order of Dec. 17, 1907, is still in force in which it was stated that after that date all trading with the Indians must be on a cash basis, and anyone giving credit to an Indian without the previous approval of the superintendent or

other government official would do so at his own risk, and must look to the Indian himself for payment, as the Indian Bureau could not assist in the payment of unauthorized debt.

"This applies only to restricted Indians. In cases where the Indian has received a patent in fee and whose affairs are no longer under supervision of this office the same method should be used to collect accounts against him as is used in the case of a white man."

Q. What are the possibilities beyond managership of the credit department. In other words, when one becomes the manager of the credit department, is that the extent of his advancement?

A. I can best answer that question by citing several promotions that have come to our attention in the last few months:

Credit Manager made Vice President of one of New York's largest banks. Credit Manager made General Manager of a large subsidiary house of a parent concern.

Credit Manager recently made General Sales Manager of his concern.

Credit Manager recently made Treasurer of a large concern.

These men were all active in Association work. We shall be glad to give their names upon application to this office, and I am sure they would be glad to tell you their opinion of what the possibilities are in the credit field.

Q. What new bureaus have been added to the Interchange System of the National Association of Credit Men during the past year? How many bureaus are not in the National Clearance System co-operating through the Central Interchange Bureau?

A. New Bureaus since last Convention organized or affiliated with the National System are operating at Little Rock, Arkansas; Shreveport, Louisiana; New York City; Miami, Florida; Greensboro, North Carolina; Winston-Salem, North Carolina; Norfolk, Virginia; and the Petroleum Refiners' Trade Bureau at Tulsa. The National Clearance System now comprises sixty-three local Bureaus and the Central Bureau at St. Louis.

Q. Is it possible in the State of Pennsylvania for a corporation to pay dividends on preferred stock out of capital?

A. In reply to your inquiry with reference to the payment of dividends on preferred stock in Pennsylvania, I refer you to the Laws of 1913, page 336, which provides that dividends may be paid only out of the net profits and to the Act of 1874, Section 39, Clause V, providing that if directors declare any dividends when the company is insolvent, or the payment of which would render the company insolvent, they shall be jointly and severally liable for all of the debts of the company then existing, and for all thereafter contracted, so long as they shall remain in office.

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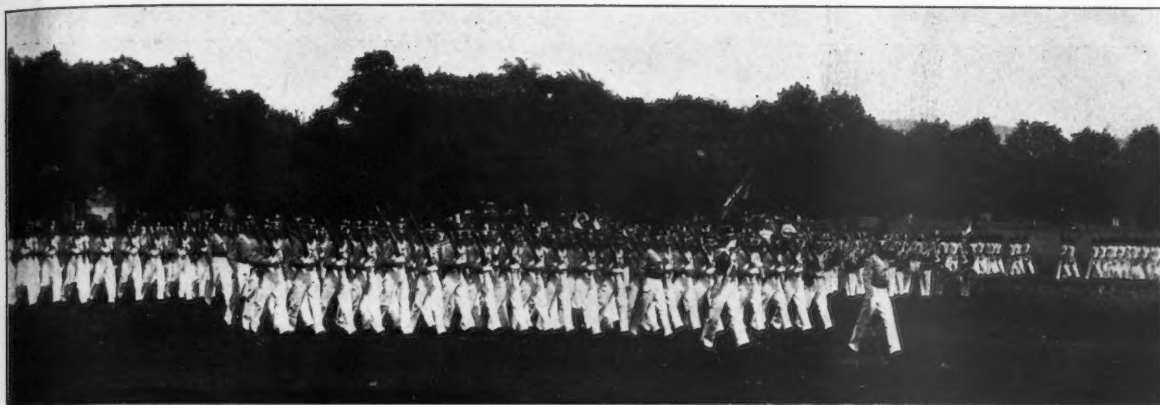
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White Photo

"PASS IN REVIEW!"

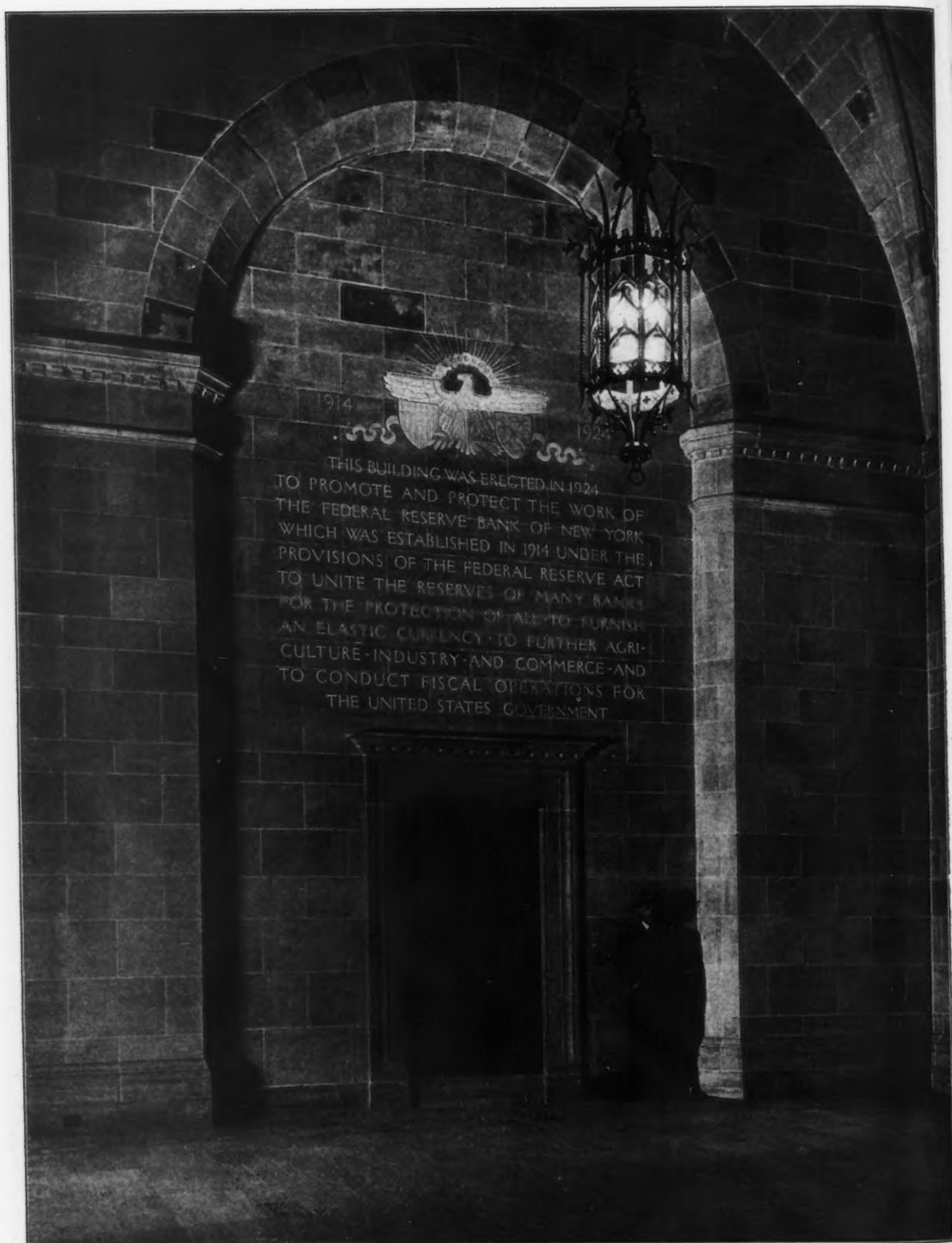
The infantry drill of the U. S. Military Academy cadets at West Point is a standard by which infantry drill the world over is measured. Evening parade at "the Point" is an unforgettable ceremony.



White Photo

WEST POINT, LOOKING UP THE HUDSON

The United States Military Academy was established in 1802 at a point which had always been of military importance. It is now a seat of learning and ranks with Mt. Vernon as an American shrine.



York & Sawyer, Architects

Main Hallway, Federal Reserve Bank, New York.

Federal Reserve Bank, New York

One of the points of interest which should not be neglected by delegates to the Thirty-first Annual Convention of the N. A. C. M. is the Federal Reserve Bank, New York. It occupies the block front between Liberty Street and Maiden Lane on Nassau Street, and may be reached from the Commodore Hotel by the Lexington Avenue subway to either Fulton Street station or Wall Street station of the Subway.

The officers of the Federal Reserve Bank have made preparations for the reception of groups of delegates; and details of these trips may be had at the Bureau of Information at the Convention headquarters.

In efficiency of operation and beauty of architecture the Bank is a model one. An expert in bank construction has said that considering its purpose and requirements, this bank building is one of the most economically constructed banks in the United States. When the move was made from the old quarters to the present building it was found that, after allowing for the added cost of operating the great building, a net saving of about one hundred thousand dollars a year had been achieved by means of the more economical conduct of the bank's business which, with modern mechanical devices, the new building was specially designed to effect.

The National Association of Credit Men is credited by Senator Carter Glass with a "notable contribution to the movement for the enactment of the Federal Reserve Banking System," and has constantly supported the Federal Reserve Bank idea.

At the Annual Convention of the Association the following resolutions will be offered:

RE-CHARTERING OF THE SYSTEM

The Federal Reserve System has clearly earned the right to continued existence. As the present Charters will expire in May, 1934, it is desirable that Congress should take up at the earliest possible time the matter of re-chartering the Reserve Banks, either for a term of 99 years or until revocation by Congress. It is further the conviction of the National Association of Credit Men that the matter of re-chartering can best be considered apart from any amendments that may be proposed for the purpose of making changes in the Federal Reserve Act.

PAR PAYMENT OF CHECKS

The National Association of Credit Men emphatically reaffirms its position in regard to the payment of checks at par. This practice should be continued, as it is vital to the orderly conduct of business. Members of the Association are urged to make habitual use of the par payment stamps on all invoices and statements.



York & Sawyer, Architects

FEDERAL RESERVE BANK

Southwest corner of the Federal Reserve Bank, New York, as seen from Liberty Street. The main entrance is shown at the right of the drawing.

"TO UNITE THE RESERVES OF MANY BANKS FOR THE PROTECTION OF ALL, TO FURNISH AN ELASTIC CURRENCY, TO FURTHER AGRICULTURE, INDUSTRY AND COMMERCE, AND TO CONDUCT FISCAL OPERATIONS FOR THE UNITED STATES GOVERNMENT."—From Inscription in the Federal Reserve Bank, New York.



Galloway



Galloway

THE PLAZA
FIFTY-NINTH STREET AND FIFTH AVENUE

(Above) At the southeast corner of Central Park is the Plaza Hotel, near which stands the equestrian statue of General Sherman by the sculptor Saint Gaudens. Above one of the old Vanderbilt residences rises the Heckscher Building on the Avenue at 57th Street. The "set-back" architecture of this building is characteristic of present-day New York, created by the zoning and building regulations enacted about ten years ago which require that the buildings shall be set back according to the width of the street, thus doing away with the canyon type of architecture that has heretofore typified the business and apartment architecture of American cities.

TERMINAL, AND CONVENTION HEADQUARTERS

(Left) The Forty-Second Street front of the Grand Central Terminal, with the Commodore Hotel (N. A. C. M. Convention Headquarters) in the background.



THE CALM BEFORE 10 A. M.

The floor of the N. Y. Stock Exchange before the opening, showing the posts at which various stocks are traded in, and the huge frame in which a broker's number is flashed when he is wanted on the telephone.



ACTIVITY ON THE EXCHANGE

A rare photograph showing active trading at one of the posts on the floor of the N. Y. Stock Exchange.

TRINITY CHURCH AND WALL STREET

The four buildings shown are those of J. P. Morgan & Co. at the left, the New York Stock Exchange, the Bankers Trust Co. and the United States Sub-Treasury.



N. Y. Edison Co.



N. Y. Edison Co.

THE LOWER CITY, FROM BROOKLYN BRIDGE

(Above) Against the evening sky are seen the pyramid tower of the Bankers Trust Company, the Equitable Building, and the Singer Building.

RETURNING FROM GREENWICH VILLAGE

the quarter of the city identified with real and bogus art, the visitor may pass through Washington Square at the north side of which stands the Washington Arch, designed by the late Stanford White.



N. Y. Edison Co.



THE NEW NATIONAL HEADQUARTERS OFFICE OF THE N. A. C. M.

After twenty-one years on Park Row, the National Association of Credit Men has moved to offices in the new building on the east side of Park Avenue between 32nd and 33rd Streets, New York, at One Park Avenue.

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Ten Months of the Fund

What Credit Protection Has Already Accomplished

By Edward Francis Lamb

MORE than ten months have passed since the Credit Protection Department of the National Association of Credit Men was reorganized to function with its increased budget made possible by the Credit Protection Fund which has nearly reached its goal, \$1,750,000. The ten months have proved two things in particular. *First*, that there is a greater likelihood of getting speedy convictions with a large fund and *second*, that the existence of such an effective fund actually deters bankruptcy crimes. A third result might be mentioned which is the convincing of the courts and Congress that bankruptcy crimes have been entirely too prevalent.

In ten months the Credit Protection Department was able to report 62 convictions. At the close of March, the department was in a position to report 15 convictions for that month, 50 indictments, 471 cases standing and 258 indictments pending. Since the fund went into operation, 653 cases were accepted and in the ten months ending March 31, the Association secured 324 indictments in bankruptcy frauds.

In the Eastern Division, which included the Atlantic coast states, 42 convictions were obtained in the past ten months. Since the fund went into operation the Eastern Division Credit Protection Department has accepted 336 cases. During March, 10 convictions were obtained in this division.

The Metropolitan District Office in New York City obtained 23 convictions in the past ten months and has accepted 197 cases. During March four convictions were obtained in this district.

In the Association's Central Division, which includes the states embraced in a quadrilateral formed by the states of Texas, Alabama, Ohio and Montana, 20 convictions were obtained in the past ten months. Since the fund went into operation the Central Division Credit Protection Department has accepted 317 cases. During March 5 convictions were obtained in this division. The foregoing summary of the work of the department shows its efficacy in obtaining convictions.

Crooks Deterred

Although doubt has existed in some quarters about the deterrent effect of the Credit Protection Fund, there need no longer be any feeling of uncertainty; for the results of a survey conducted by the Public Relations Department of the Association to "sample" opinions throughout the membership show that members have discovered clear indications that dishonest merchants are becoming increasingly wary. About 85 per cent replied thus to the questionnaire. Fifteen per cent, who reported no noticeable effect, for the most part operate in territories where there is little commercial crime. This survey is quite representative of the Nation's business, for it was conducted in more than 100 principal commercial centers among manu-

NOT only will the delegates to the 31st Annual Convention of the National Association of Credit Men expect to get the latest news of the Second Credit Protection Fund Campaign, but they will want to know about the success of the Association with the first. This article gives a bird's eye view of the accomplishments of the Credit Protection Department as reorganized a year ago. A more complete, up-to-date report will be presented at the Convention, Wednesday morning, May 26.

facturers, wholesalers, jobbers and bankers.

At this writing there are more than 25 cases on the calendar in the Eastern Division Credit Protection Department which may result in the conviction of 72 individuals. These cases are in diverse fields of commerce. There are two in hardware and boots and shoes, several in cloak and suits, jewelry, furniture, plumbing supplies, textiles and general merchandise. In one hardware case, in connection with which there are six defendants, an attorney is under indictment. In the Eastern Division, in New York in particular, the principal difficulty with which the department has been faced is the insufficient number of judges to handle cases as rapidly as creditors desire. *In New York City there is only one judge sitting on bankruptcy cases.* However, this condition will be largely improved if Congress authorizes the additional judges it has been petitioned to provide.

The Association's survey referred to above shows that there were no marked changes in the number of bankruptcies shortly after the Christmas season. The accepted theory has been that in months immediately following Christmas there is an increase in bankruptcies, particularly fraudulent ones. The survey shows that bankruptcies are apparently not seasonal now-a-days and that where there may have been heretofore failures following slack business after the Christmas holidays this condition apparently no longer arises.

A Four-Year Sentence

One of the most notable cases that the department has ever handled, at least in New York City, was the Theda Dress Company case which resulted in two convictions. In this case a young man by the name of Irving J. Mills was finally sentenced to four years in the Federal penitentiary after preying upon New York merchants for several years. He used

dupes and blind concerns which operated for about six months and then vanished. He eluded the efforts of creditors' committees and business organizations to obtain evidence against him strong enough to have resulted in his conviction.

About eight months ago, in New York, William Birnbaum opened a dress manufacturing establishment under the name of the Theda Dress Company. He established a good credit rating and was able to prove that there was about \$20,000 in capital invested in his business. Birnbaum did what was apparently a brisk business in a well-fitted establishment.

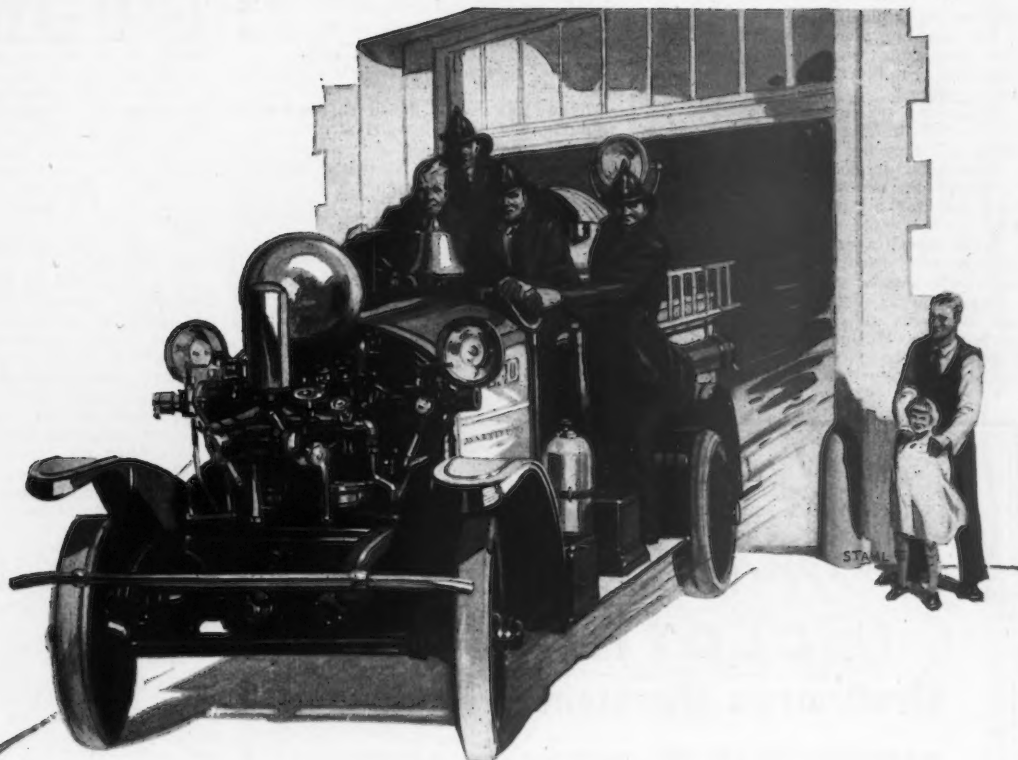
Finally the creditors became suspicious when the Theda Dress Company became delinquent in its payments. Birnbaum pleaded that temporary slacking in business and outstanding accounts, which he was having difficulty in collecting, were responsible for his slow payments. At the same time he pointed to a healthy activity in his shop during a slow season. But when Birnbaum filed a petition in bankruptcy, some of the creditors filed a complaint with the Association to have Birnbaum investigated for apparent fraud.

When the preliminary investigation indicated that Birnbaum's actions and methods justified it, a warrant was sworn for his arrest. Caught in the tangle, he finally confessed that he had been set up in business by one Irving J. Mills. Birnbaum confessed that he learned that Mills was crooked after he had been established in business a short time, but that the threats of hired thugs kept him from squealing.

All this time a great deal of the goods which came to the Theda Dress Company were reshipped by Mills' thugs in the shipping department to a concern called the Excello Textile Company. This concern was controlled by Mills and was the outlet for the goods that were fraudulently obtained through the dummy concern, the Theda Dress Company.

Representatives from the American Woolen Company identified goods at the Excello loft which the company had originally shipped to Birnbaum at the Theda Dress Company. Besides, liberty bonds to the amount of \$17,500 which Mills had purchased to set Birnbaum up in business were bought under the name of J. Brown. Later on, in court, the banker who sold the bonds identified Mills as J. Brown. Furthermore, the hotel register in the Times Square Hotel showed that Mills and Birnbaum had occupied the same room at one time when they were evidently putting through some crooked deal. The relationship between the two was now established; and further investigation disclosed liabilities in the dishonest operations of the Theda Dress Company that amounted to about \$100,000.

Assistant United States Attorney Blake called about 150 witnesses after he took the case over from the association for prosecution. Birnbaum had already pleaded guilty, and Mills who had not yet been traced was finally arrested. When he was apprehended he was found living



Our Engineering Service "Rolls on Signal"

At the sound of alarm the modern fire pumper with its courageous crew, noses out of the engine house and, in the words of the fireman, "rolls on signal," sirening its ways full speed to rescue burning property. Clattering hoof-beats of dashing fire horses are heard no more. Today, even in the smaller towns, fire fighting is keeping apace with Twentieth Century advancement.

The Engineering Department of these companies, in its endeavor to

prevent preventable fire, also "rolls on signal" at calls from clients. And when our Fire Prevention Engineers cooperate with you, it means a maximum of safety against fire hazards, plus in many instances—a lower insurance rate.

In fighting flames, delay is dangerous. Likewise, in correcting potential fire hazards, no time should be lost. So we're just waiting for a word to "roll on signal" for you.

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FIRE INSURANCE COMPANIES
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is possible for a shop selling books exclusively is 35 per cent. A business of \$20,000 a year therefore permits of a gross profit of only \$7,000. This requires an income of \$66.67 or the sale of about 32 items every working day of the year."

"But a shop like that would be a sizeable account."

"Not necessarily. For the business would be divided among so many publishers that everyone's share would be small. After all, the book buying public is limited. Even 'best sellers' are purchased by only about one person in a thousand, and ordinary books are bought by about four persons out of a hundred thousand. Then there are the 'plugs' which are books that have little or no sale. From another angle, you can see the relative chance of a small bookshop doing this amount of business in a town of 10,000 with, say two other shops carrying books."

The two men, absorbed in their conversation, had walked the entire distance back to their office. As they left the elevator to go to their respective offices, Dobson held out his hand to the older man.

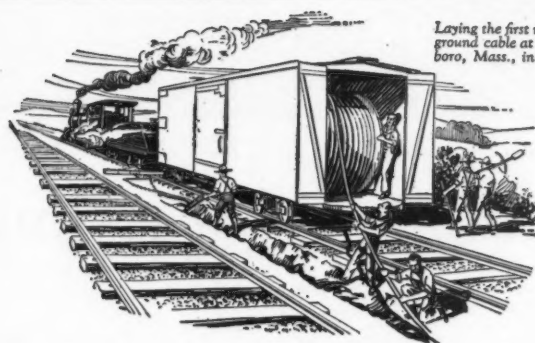
"Jim, I've got a lot to thank you for. It seems to me I'd better study the book business a little more and ease up some on sales methods. And the lesson you have given me today has taught me to discourage the tendency to sell *anyone*, regardless of his ability to market the goods."

"Well, Arthur," said the Credit Manager, "I assure you that thousands of houses, in all lines, are running after business which isn't profitable because either the effort required to bring it in is disproportionate to the amount involved or the credit situation isn't any too good. Personally, I've always thought that *sixty per cent of selling is developing present business.*"

"Say, if any orders come through, as a result of this morning's talk, which are going to be too big for the customers to absorb—and simply overhead for the house—you kill 'em."

"Frankly, Arthur—speaking unofficially and as a booklover—the hardest thing I have to do is to shut down on the credit of some misguided enthusiast who orders

(Continued on page 50)



Laying the first underground cable at Attleboro, Mass., in 1881.

The first underground wires

THE telephone was scarcely five years old when its sponsors, looking far into the future, essayed the first trial of underground telephony. The first conversation through an underground cable was one-fourth mile in length, in 1881. But it was not until twenty years later that the first long distance underground cable came into actual use.

From 1901, however, progress was rapid. Today, overhead wires have disappeared in many cities. Of its total of 50,000,000 miles of wire, inter-connecting its millions of telephones, the Bell System has 30,000,000 miles underground, representing an investment of \$524,000,000 in conduits and cables.

This nation-wide plant, and its nation-wide service underlie Bell System securities.



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Messenger"

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of FIRE is a
drain on everyone.
It cannot be written
off the books because
insurance "covered"
the loss.

Nothing really covers
fire loss . . .

Everybody loses by
every fire.

And thoughtlessness
causes most of
our fires.

Thoughtlessness . . .
with its hand in
YOUR pocketbook . . .
every minute of
every day.

It's money in YOUR
pocket to help
**STOP FIRE
THOUGHTLESSNESS**



Ralph B. Ives
President

The Tendency to Sell Anyone

(Continued from page 9)

ease of old acquaintances.

"By the way, Mac, we're bringing out a fine Stevenson. New material, extra illustrated, hand set type, laid paper—a great edition."

McQuinn's eyes gleamed.

"I'd like to have one of those. How much will they be?"

"One a hundred and seventy-five, list."

"Better let me have two sets. I can keep one for myself if they don't both go."

"And there's a new Conrad with a lot of recently discovered stuff. It must necessarily surpass every previous edition."

Crane ran on, casually enumerating several of Carrus and Company's new Spring publications. McQuinn ordered virtually everything the Credit Manager mentioned. In about thirty minutes Crane

had received a seven hundred and fifty dollar order. Crane thanked him, chatted a minute more, and left. Outside again, Dobson was silent.

"Well, was I any good?" There was a humorous note in Crane's voice.

"Good!" Dobson was frankly astounded "but . . ."

"Now, let's see. In the first place you're thinking, how was this order secured without showing the bookseller either catalogue or bindings? Well, that is unusual. But I've known McQuinn for ten years and he'd buy a brass monkey if I told him that it was good. Also I know his literary failings and could play on them."

"But your natural inquiry is, can McQuinn pay for them? He can't, and he won't have to. The order will never be entered. I'll fix all that up with him later on. You haven't quite seen my point yet though, have you?"

"Frankly, no."

"It's just this: When I heard you talking this morning to those young chaps about selling the small shops, it occurred to me that we might be playing with dynamite. Let's admit right away that McQuinn is an exaggerated type. But not as exaggerated as you might think . . ."

"Great Scott, I had no intention of encouraging the salesmen to make a special effort for that kind of business."

"No. But many small bookshops are dangerous to an extent, because a great majority of them are owned and run by people who love books just as McQuinn does."

"But isn't that a good thing?" asked the Sales Manager.

"Yes, but not if the love of books is the bookseller's only qualification. A girl with absolutely no business training but with literary tastes,—whose interests are perhaps chiefly in modern poetry,—scrapes together enough capital to open a dainty little book store which she calls Ye Red Rose Booke Shoppe. She can talk books with her customers all right, but she is at a loss when the first-of-the-month statements come from the publishers."

Some people are drunkards for alcohol, some (like the proprietress of the Booke Shoppe) for books. The problem isn't one of overcoming sales resistance in them. It's a problem of putting on the brakes. And how many salesmen, especially young salesmen, can you trust to do that?"

"You mean . . .?"

"That what I did with McQuinn can be duplicated by any young salesman in at least 50 per cent of the small bookshops throughout the country. This is especially true of new shops. A man or woman just beginning to sell books can no more resist stocking a favorite author than a toper can refuse a drink. Unfortunately, his or her enthusiasms may not be shared by the customers and the books gather dust on the shelves. His credit gathers mould with his publishers. As for the other 50 per cent of booksellers, they are conservative and won't stock anything—ordering from their jobber as they need certain titles."

"Then you think we are going after unprofitable business when we try to cultivate the little shops?"

"To an extent. We have on our books at present, about 200 one-man shops. The accounts aggregate about \$6,000 and range from 30 to 60 days overdue. Not a large item—but why increase it? If we do so, we would be expending a great deal of unnecessary effort."

"Of course we can always ask cash with order and cut off credit," remarked the Sales Manager.

"Yes, we can do that. But is it good business to seek such accounts? Book-selling, in spite of all efforts to make it standardized, is an individual business. Booksellers, as a class, are honest; but many of the small ones are inexperienced and perhaps careless. It seems unwise to me to encourage them to take advantage of a credit we are reasonably certain that they can't maintain."

"We can get a report on their assets."

"Yes. Although a stock of current books is a peculiar asset. At forced sale it may be worth less than ten per cent of its value. Fixtures are very little better."

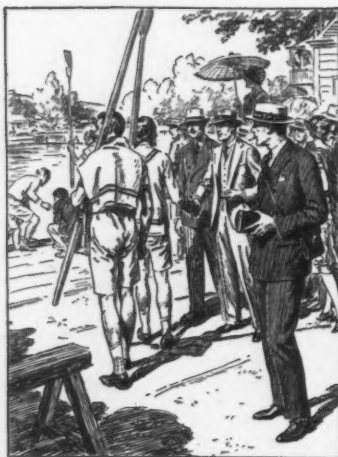
"I'm sorry now that I said what I did to those boys this morning."

"Don't worry," said the Credit Manager. "Only Wilkins and Hartness will pay any attention to it and we can head them off. The other boys have been in the business too long to misunderstand the small bookshop situation. Just consider that the gross amount of profit that

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Eben Harper's store as the young credit manager in the story found it.

A Credit Manager of Fiction

IN the April issue of the CREDIT MONTHLY appeared the story by H. P. Preston, entitled "Advice from Dorothy's Father—Cash Hardly Exists in his Slow but Honest Village," illustrated with the picture reprinted above.

The story told how the young credit manager of a wholesale grocery concern made a visit to a slow-paying customer, Eben Harper, and found that most of the business of the community was transacted on a basis of barter, that cash was almost unknown.

He found that the proprietor evidently had no merchandising sense. "The place

seemed literally crammed with goods of all kinds. Slickers and china, rubber boots and oil stoves, dress goods and groceries, not to mention countless other items, created an impression of wild disorder on the mind of one accustomed to well arranged city department stores. The air was redolent of spices, rubber, tobacco and the hundreds of other odors that would enable even a blind person to detect the country general store if he had ever made the acquaintance of that institution.

Incidentally, the young man made the acquaintance of the store-keeper's daughter, Dorothy, and there is an intimation

toward the end of the story that the young man is going to call again—not on business.

Harper take the credit manager on an automobile tour among the old man's customers, and it is clear that it would be exceedingly difficult for Harper to get cash from those with whom he is doing business.

An interesting comment on this story from an experienced credit executive, C. M. Howland, treasurer of the Dudley Paper Company, Lansing, Mich., is printed on the opposite page.

Is a Credit Manager Needed?

(Continued from page 10)

"I know that in passing upon an application for credit insurance, the underwriters consider such factors as, the commodity dealt in, competitive conditions, general industrial trend, territorial conditions, sustaining industry, dependability of credit information, and the efficiency of the credit department.

"An analysis of the accounts to be insured is then made. In the case of the efficient credit manager, this analysis would show the average financial responsibility of debtors to be high. A large portion of the accounts would be rated first credit and there would be a systematic gradation downward of amounts allowed to customers of second credit and inferior ratings. If the line of business were such that the product was distributed through small concerns, the size of each account would be within the bonds of prudent credit practice. Further, the total of outstandings exposed to sudden changes of credit conditions would be small in proportion to annual sales; and large amounts would, for the most part, represent current accounts to important customers, rather than inflated accounts resulting from overdue items.

"General conditions being favorable, such an applicant would be classed as a preferred risk for his line of business and would have the advantage of a more favorable rate.

"However," continued the Banker, "if such an analysis were made of accounts under the care of a poorly trained or inefficient Credit Manager, it would reveal an entirely different situation. An excessive amount of the firm's capital would be in the hands of debtors with inferior credit ratings. Collections would be slow and outstandings heavy in proportion to annual sales. The size of many individual accounts would exceed prudent credit practice and as a result, the potential credit risk would be excessive for the applicant's line of business.

"Under such a set of conditions the risk would either be refused or a higher rate would be required."

"It is evident," Gordon broke in, "that the Credit Manager affects the situation, at least, before the insurance is written. 'What,' he asked, 'is his importance after the insurance is in force?'"

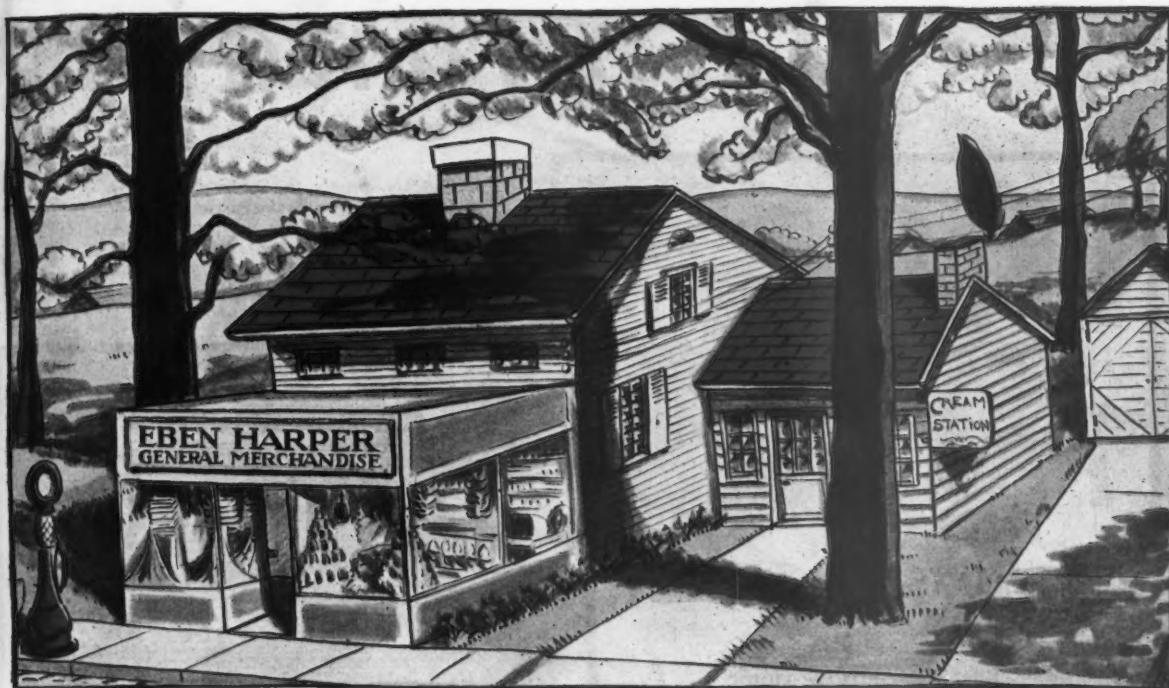
"General coverage policies," replied the Banker, "contain a deductible amount known as the 'Normal Loss' which varies for every concern insured. Let me explain:

"The insurance company knows that if it insures one thousand concerns in the same line of business, with the same volume of sales, the average yearly credit losses of those one thousand concerns will amount to a certain definite figure. Taken in the aggregate their total losses are definitely known. This aggregate loss varies, of course, for every line of business.

"Now, the only basis for insuring those one thousand concerns is to ask each of them to absorb their pro-rata share of the losses for their line of business. Each is asked, therefore, to absorb a 'Normal Loss' of one one-thousandth of the loss of all. In each case, however, that figure is increased or decreased according to the relative efficiency of the credit departments of the insured companies. By this means, the certain loss of all is equitably distributed among the thousand concerns."

"According to that then," suggested Mr. Gordon, "the deductible amount that I am asked to absorb, is not necessarily a 'Normal Loss' for my particular business."

"Exactly, it is merely your pro-rata share of the aggregate loss," replied Mr. Smith, "which is the known Normal Loss for one thousand concerns in your line of business. No one of the thousand will



Eben Harper's store as C. M. Howland of Michigan would have left it.

A Credit Manager in Real Life

The following interesting letter to the Editor from C. M. Howland, Treasurer of the Dudley Paper Company, Lansing, Mich., is a comment on the story "Advice from Dorothy's Father—Cash Hardly Exists in His Slow but Honest Village," which appeared in the April number of the CREDIT MONTHLY.

IN our particular line of business we have for years sold the country merchants and you can imagine that my eye immediately fell upon the illustration of the story, "Advice from Dorothy's Father." The article was very interesting; but I did not like the way the credit man handled the problem for the merchant.

It may be that the young credit man was more interested in Dorothy than he was in putting the old gentleman on the right basis. I believe I would have induced Mr. Harper to have extended his store by placing an addition on the front of it out to the road, putting in a nice display window so that the motorists could see the type of store it was, having some nice

fixtures built in and a clean stock of merchandise placed on the shelves.

The part of the house formerly used for the store could have been converted into living quarters and the addition on the side of the house could have been converted into a cream, butter and egg station and exchange the produce of the farmer for groceries and cash. In that way the charge account would be eliminated and the man would then have the cash to discount bills and not only make a profit on the groceries but also on the cream, butter and egg business, and if this flourished, poultry might be added. This would be a real service to the farmer in the community and would of course, draw

trade from them as well as the desirable tourist business, which he at the present time is not getting.

I would use as a personal, convincing argument to this man that he had an automobile of the latest model, yet his business was of the model which was in vogue in the 'Seventies. The reason why he is unable to compete in business today is because in his business methods, he is still driving a horse and buggy.

Don't you think if the Credit Manager changed this man over and made a real live, aggressive merchant of him, that he would have been more entitled to marry his daughter?

be inconvenienced, however, by reason of its assuming its pro-rata share of the Normal Loss of all.

"Even though the aggregate loss of the thousand concerns is definitely known, the individual loss of each can not be determined, either by the insurance company or by the assured. The object of the insurance is to prevent any individual loss amounting to more than this pro-rata amount.

"Now," continued Smith, "you will see the importance of your Credit Manager. Through his skill in placing your goods in the hands of the most responsible customers he reduces the risk of loss; and as a result your credit losses will often amount to less than the 'Normal Loss' you have been asked to absorb. In such a case the difference between your actual losses and the 'Normal Loss', in your policy, represents a saving that should be placed to

the credit of your Credit Manager. Obviously, this saving is to your advantage and an efficient Credit Manager is necessary as a means of making this saving possible.

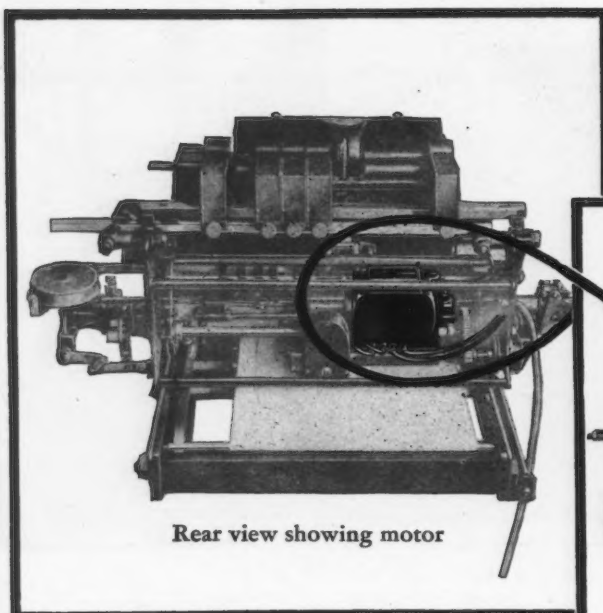
"Bear in mind," the banker went on, "your Credit Manager has not prevented loss. He has merely reduced the risk. Losses, you will remember, are caused by conditions arising after shipment. Although he used the same methods, during another year, he might experience losses equal to twice the amount of your 'Normal Loss'. In that event, your excessive losses would be returned to you because your efficient Credit Manager would have taken precaution that all customer's obligations were covered by the insurance."

"In your estimation, then," said Gordon, "the value of Credit Insurance can not be gauged by the amount of one's recoveries."

"Certainly not," answered Smith, "An honest loss is always a loss, whether or not it is covered by insurance. There is nothing to be gained by losing something and then paying someone to return it to you. If there is a possibility of losing a thing, it is advisable to protect yourself against that possibility, but it is still only common sense to avoid the loss if possible. That is the obvious reason for employing an efficient Credit Manager even though the Accounts Receivable are protected by credit insurance.

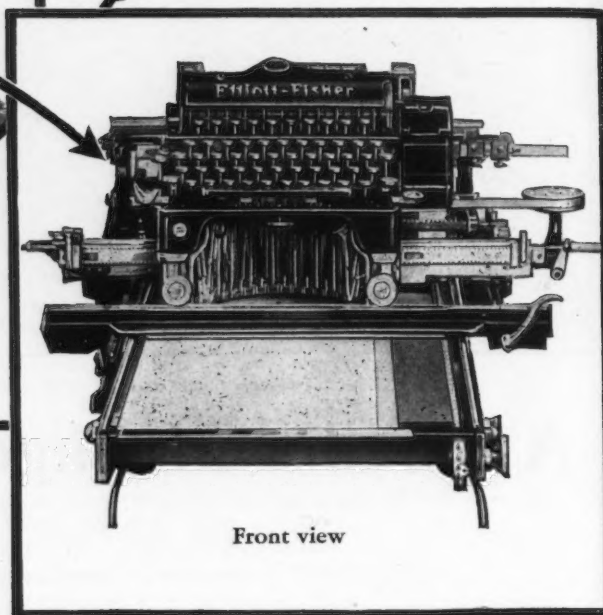
"To assume that a Credit Manager is not necessary after the adoption of credit insurance," Smith continued, "is to raise a doubt as to the object of buying the insurance. Many concerns have made the mistake of supposing they could buy a policy, discharge the Credit Manager and cast discretion to the winds—that the insurance would cover their poor business

Announcing



Rear view showing motor

Quickly, quietly, the motor on the new Elliott-Fisher sends the carriage gliding back and forth over the flat writing-surface. All the operator does is strike the keys.



Front view

A new Elliott-Fisher machine has been perfected that retains all the present features, *and in addition is Automatic and Electric!*

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|--|---|
| 1. Automatic Carriage Return Right and Left. | Accumulation of Column Totals up to 29. |
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| 3. Automatic Line Spacing. | 10. Automatic Decimal Spacing. |
| 4. Automatic Circuit Breaker. | 11. Automatic Proof of Balance Written—Star Signal. |
| 5. Automatic Starting and Stopping of Electric Motor. | 12. Automatic Audit Sheet. |
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methods. In most cases their losses have become abnormal, and they have awakened to find that the insurance had not served them to the fullest possible extent because there had been no Credit Manager at the helm.

"Suppose that money involved in credit accounts represents a large portion of your invested capital. Does it not seem absolute folly to trust that capital in the hands of any but an experienced credit manager? If credits are inefficiently handled, your capital becomes tied up in past due accounts, which even though eventually paid represent for the time being, money that properly belongs to your company and should be returned to it for earning purposes. If the inexperienced credit manager allows an excessive volume of such past due outstandings to accumulate, he thereby creates a steadily mounting credit risk, which, regardless of insurance, is certainly of no advantage to

you. This brings up the matter of collections which certainly require the supervision of an experienced credit manager.

"Quite aside from his relation to credit insurance, the efficient Credit Manager renders services that are indispensable to his concern and to the business world. He it is who develops good will by the diplomatic handling of new accounts. By his sound advice and encouragement, he helps new concerns to grow and prosper and become assets to the economic community. These are services that only the credit manager can perform. They can not even be attempted by credit insurance.

"I believe, Mr. Gordon, that as a general rule, an understanding of the function of credit insurance automatically forces an understanding of the function of the Credit Manager; and I believe the values of both are enhanced by the process. Credit insurance forms a part of what is called, 'good business methods'.

Once it is understood, it appears as merely another indication of the caution, prudence and sound business principles from which the credit manager's position was created. The duties of your Credit Manager and those of credit insurance are entirely separate and they are of equal importance to you."

"Your explanation," said Gordon as he rose, "at least convinces me that credit insurance offers no substitute for the present organization of our company. Thank you, very much indeed, for your time and your help."

"I'm glad to have had the opportunity to be of assistance, Mr. Gordon. Let me suggest," said Smith, "that you take credit insurance and keep your Credit Manager. Spare no effort in understanding the proposition however. It is a subject that must be understood, if its advantages are to be appreciated. Perhaps you can find others in your line of business who are using it. Why not find out what it is doing for them?"

"Yes, I'll ask the agent about that. I'm going back to the office now and look over the table of coverage he has submitted."

Method

Success, the attainment of a definite purpose, comes with the introduction of method. The development of method made business a science. And the science of business, like any other science, is simply the knowledge and understanding of facts and figures, coordinated, arranged, systemized for practical timely use.

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RICHMOND	LOUISVILLE	INDIANAPOLIS	LOS ANGELES	WACO
	MEMPHIS		ATLANTA	

Why Unemployment?

(Continued from page 11)

portation agencies and others, all are affected. Conversely, if one trade revives, it will influence other trades. Its members, since they are selling more, are able to buy more, and the improved demand for their goods and services is transmitted to other trades by their increased purchasing power.

The second reason for cyclical trade fluctuations is purely psychological. A market is a group, and has the psychological characteristic of the group or crowd, and the general opinion imposes itself on individual members with great force and rapidity. So if a strong opinion is started, no matter how, that trade is improving, then that opinion will spread; the most level-headed operators will be influenced by it. In precisely the same way an opinion that demand is falling off will impose itself on the business community. The transition from one state of mind to the other may be brought about by chance. A leading firm may take fright and begin to cut prices before its competitors; other firms, observing its action, follow suit, and other trades, observing the fall of prices and consequent slackening of production in the one trade, are shaken out of their optimism. A great bankruptcy may turn the current of opinion. This is what happened to start the panic of 1907-8. The firm of Henry B. Claffin, one of the strongest wholesale dry goods companies, failed. The confidence of the whole textile industry was shaken. Many firms which would otherwise have weathered the storm, got "cold feet" and the pessimism spread so rapidly that a panic resulted.

It must not be inferred from this that the cause of the 1907 panic was purely psychological. Prices were high, credit was inflated, production was at a peak, the stage was all set, it needed only the bankruptcy to start it off.

Price is another cause of fluctuating trade. A good price causes an increased production, but with increasing production the market becomes overloaded, so price suffers a drop. Production then becomes less profitable and some plants are closed down or run on shorter hours, thus causing some unemployment.

The Business Library

(Continued from page 14)

average about three pages in length.

The author begins by asking the question "Why study economics?" The answer is that it is concerned with the means of life, without which life could not long continue; it gives us a broad view of human endeavor, and shows the relation between our individual work and the larger activities of the whole world of business; it enables us to understand the important questions of the day, such as taxation and the money problem, and to grasp the significance of the conflicting interests of farmer and city dweller, producer and consumer, shipper and carrier, and labor and capital.

Professor Le Rossignol's point of view is straightforward and essentially orthodox. He presents the basic facts concerning land, labor and capital, without attempt to convince the reader of his own erudition. There is nothing "highbrow" about the book,—not a single footnote from one cover to the other. The chapter titles are short and simple. Many of them consist of a single word,—“Man,” “Capital,” “Manufacture,” “Selling,” “Money,” “Banking,” “Wages,” “Competition,” “Monopoly” and “Investment.”

One of the chapters, a little over two pages long, is entitled “Credit.” In this small space Dr. Le Rossignol contrives to define credit; indicate the derivation of the word; mention our good old friends, the “three Cs,” touch on the old-time practice of imprisonment for debt; point out the different forms of credit; and comment on the modern and complicated problem of instalment sell-

ing. Concerning the instalment plan he says: “This is a questionable practice, from the buyer's point of view, except when the purchase is a productive investment, paying for itself, as in the case of a house, a mowing machine, or other capital goods.”

As an introduction to economics this little book deserves to be well received. It is of course, more broad than deep, but anyone who is disposed to be critical on that score should, in justice to our good friend, Professor Le Rossignol, sit down with pad and pencil and make an attempt to do justice, in three small pages, to topics such as “Capital,” “Competition” or “Credit.”

A Manual of Salesmanship

PRINCIPLES OF PERSONAL SELLING
Harry R. Tosdal, Ph. D. A. W. Shaw
Co., Chicago. 1925. 753 pp. \$6.
By this time it would take much more

than a “five foot shelf” to accommodate the crop of texts, manuals and monographs on the principles of salesmanship. However, Dr. Tosdal, who is professor of marketing in the Harvard Graduate School of Business Administration, is one of the outstanding leaders in the field of scientific salesmanship today, and what he has to say is bound to be listened to with attention, even by those whose ear-drums are a bit weary.

After a preface which establishes a new record for brevity, Professor Tosdal plunges directly into the heart of his subject with a chapter on the nature, scope and development of personal selling. This leads to a discussion of the psychology of buying and selling, after which the author indicates what the salesman must know about his product and his market if he is to be successful. Contrary to the usual custom, Dr. Tosdal devotes but a single chapter to the



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Each order on an old or new account is a product of costly effort. The passing of one account for credit upon which there is the slightest doubt of final settlement, jeopardizes the calculated profits on many others.

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East Side (Lexington) Subway to
Fulton St. station, Dey St. exit.
Cross Broadway to John St., east
three blocks to Gold St., then as
above.

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The Tendency to Sell Anyone

(Continued from page 43)

beyond his strength. But, we mustn't let it get around or we'd have every one of the 5000 (sometimes it seems like 50,000) sending us stock orders."

Just then the young salesman, Wilkins, came up to them, his face beaming.

"Say, Mr. Dobson, you know that talk you gave us was great. Believe me I paid attention. Here," he showed them an order blank, "I just got this from one of those little shops. A woman opened it about two months ago. She was real pleasant and gave me a stock order for three hundred dollars—and most of the duds, too . . ."

But Crane and Dobson were laughing so heartily that Wilkins thought them both a little cracked.

A Manual of Salesmanship

(Continued from page 49)

interview, believing that proper preparation through acquiring knowledge of the product and the buyer, with adequate planning based on such knowledge, will furnish the solution to most of the detailed problems of the interview.

The creation and conservation of goodwill are admirably treated, as are such important and specific topics as selling to the household consumer, to retailers, wholesalers, manufacturers and the export trade. Then follow a very practical discussion of the nature, functions and organization of the sales department and a general consideration of sales methods. Special chapters are devoted to the relation of personal selling to advertising and to the selection, training and compensation of salesmen.

Chapter XXI, on "Credits and Collections in Their Relation to Personal Selling" presents Dr. Tosdal's ideas on the relations of the sales and credit departments, which are sound and modern. His treatment of instalment credits and col-

lections, consisting of two short paragraphs at the end of the chapter, is obviously too sketchy to be really useful, but he doubtless realized the hopelessness of trying to do justice to that complicated problem within the limits of

a single chapter, or, for that matter, of a single book.

The concluding chapters deal with co-operation, supervision and control of salesmen; sales conferences, conventions and contests; and the ethics of personal selling. There is an exceptionally useful Appendix bearing on six main topics: sales manuals; marketing data; standardized sales talk; gross margin, total expense, net profit and stock-turn figures for certain classes of retail stores; expense figures for certain classes of retail stores; and gross margin, total expense, net profit and stock-turn figures for certain classes of wholesale establishments. The volume is offered in a serviceable flexible binding, which is fortunate, for it is certainly destined to be used.

Ten Months of the Fund

(Continued from page 40)

in style and the owner of a foreign motor car valued at \$15,000.

A jury found Mills guilty of concealment and of conspiracy to conceal. He was sentenced in the Federal courts by Judge Baltzell to four years in the Federal Penitentiary and was fined \$5,000. His dupe, Birnbaum, was sentenced to two years and was fined \$2,500.

Mills covered himself so well that, while he was known to be engineering fake bankruptcies, the merchants of New York could never catch up with him. It is clear that the co-operative action of the creditors through the Million Dollar Credit Protection Fund has made possible the elimination of one of the biggest bankrupt crooks in New York City.

The case of Arthur Rosenberg of Lansing, Mich., is particularly interesting because it resulted in the conviction of a creditor who attempted to make a secret

Nationalize Your Credits

Credit Insurance

For the manufacturer or wholesaler who would protect his business fully against credit losses, these two steps are vital.

1. The employment of an experienced credit man to pass upon all credits extended.
2. The purchase of a National Policy of Credit Insurance, containing the guarantee of the World's Largest Surety Company to prevent, else pay, all bad debt losses in excess of normal.

The full advantages of this protection are apparent from the fact that bad debt losses inherent in the business can be absorbed in the selling price of goods. Then, with credit insurance in force, the credit man's success in cutting down the normal losses accrues directly to the side of profits.

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National Surety Company

WM. B. JOYCE, Chairman

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settlement with the bankrupt in order that he might realize considerably more than some of the other creditors. Rosenberg was sentenced to the penitentiary with Levi Lurie of Chicago. In sentencing the men Judge Fred Raymond of Detroit said in part:

"It has been the practice in the court where I am accustomed to sit, to impose sentences without making any remarks, either in criticism of the convicted party or otherwise. It is within the knowledge of the Court, and I think within the knowledge of everyone who has had occasion to come in contact with practice in bankruptcy cases, that there probably is no other field in which there is so much irregularity and fraud and corruption and in which there are so many efforts made to defeat the ultimate purpose of the law, which in bankruptcy is that the creditors themselves shall receive the estate instead of certain classes of creditors and attorneys. Those violators have become so flagrant that they have recently become the subject of specific rules by the Supreme Court of the United States.

"Sentences are not imposed altogether as punishment upon the one who has been convicted, nor altogether with the view to his reformation; but conditions in the criminal world at large make it quite necessary that a third element shall be considered, and that is the effect upon the public in general. If, after defendants have pleaded not guilty and have been given a fair trial by twelve of their fellow citizens who believe them to be guilty, and the duty devolves upon the Court to impose punishment,—the Court then becomes lenient, listens to pleas for mercy and sympathy, and imposes, because of that, a light sentence, it is heralded immediately among those who are most in-

terested in knowing that one can continue to commit those crimes and those offenses against that particular law, and that if perchance he is caught and if perchance after a skillful defense he is convicted, that then a light sentence will be imposed. I think the difficulty with enforcement of many of our criminal laws to-day is that the criminal element has learned that even if one of them is among the unfortunate ones who are finally apprehended and ultimately convicted, the punishment of the crime is so light as to be inconsequential, and that is a fairly good speculation that he will not be apprehended, and a better speculation that the sentence when imposed will be subject to influences which are not within the contemplation of the law, and which are not wholesome when we come to consider the necessities of society under present conditions."

Space does not permit the telling of the stories connected with the number of other notable cases included in the 62 reported by the department. Some of them indicate quite plainly where the credit manager is sometimes at fault. For instance, superficial investigation of a man's antecedents or no investigation at all shows how the lessons of investigation are forgotten. Checking credit for persons under indictment and for concerns who have built up fake references to establish a fair credit standing amaze the reader of these cases.

But what these convictions often reveal is an expensive lesson for those subscribers who have allowed themselves to become lax in their credit methods as they relied upon the ability of the Credit Protection Department to correct their errors.

The Business Grave Yard



Are you insured against the death of your customers' business?

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It is a tried-and-proved method for protecting your house against the failure of its customers. A policy of American Credit Insurance will protect all your firm's resources—net profits, surplus, capital; it will eliminate worry and fear; it will provide you with efficient collection facilities.

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AUTO SUPPLY & RADIO, operated by Martin Schmidt and Theodore Berking, at 1045 First Ave., New York City.

BEAVER, MANNIE, operated as Beaver Auto Supply Company, at 3106 Webster Avenue, New York City.

BECKER, L., trading as the Eastern Cut Rate Store, formerly at Fort Wayne, Indiana.

BLUESTEIN, A., recently located at 2183 8th Avenue, New York City.

BOSTON MOTOR COACH REPAIR CORPORATION, formerly located at 419 West 55th Street, New York City, operated by Emil Schanke and Christopher O'Brien.

BRONSON, C. A., 381 Park Avenue, New York City.

BUECHNER, F. A., formerly of 1127 Ross Street, St. Paul, Minn., previously at 1119 Reaney Street, St. Paul, Minn.

BURNS, JAMES, formerly engaged in the Plumbing and Heating business at Fowler, Indiana.

BURNSTEIN, EDWARD, recently doing business at 63 East Madison Street, Chicago, Ill.

C & C TIRE & SUPPLY COMPANY, 149 West 49th Street, New York City.

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COWAN, MARY, operated the Mahogany Cabinet Company, at 175 Fifth Street, New Dorp, Staten Island, N. Y.

EDSON-PONSANG, formerly operated by Stanley M. Edson and Remour Ponsang, at 57 West 35th Street, New York City.

EINHORN, LEONARD, formerly of the Leonard Tire Company, at 138 East 56th Street, New York City. Now operating a garage at West 140th Street.

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LAWRENCE ART & GIFT SHOP, formerly located at 6529 Euclid Avenue, Cleveland, Ohio, and 298 Halsey Street, Newark, N. J.

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LEWIS OIL COMPANY, recently operated by Mr. Bolln, at the Chouteau Trust Bldg., St. Louis, Mo.

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PALMER, FRANK, formerly at 345 Lafayette Street, 41 Bleecker Street, and 39 St. Jones Street, New York City.

FROST, HENRY, at one time doing business as the Intas Trading Company, at 10 East 16th Street, New York City.

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ROSE HONEY PRODUCTS, 325 East 92nd Street, New York City.

RYAN, JOE, formerly in business at Jackson Avenue & 19th Street, Woodside, Long Island, N. Y.

SPINA, J. J., formerly located at 8622 18th Avenue, Brooklyn, N. Y.

TOBIAS, B., formerly at 127 Perken Street and also Harrison Avenue, Brooklyn, N. Y.

TUSA, ANTONIO, 195 Scholes Street, Brooklyn, N. Y.

WALKER, R. G., traded as the Southern Retail Merchants, formerly of 52 Vandervbilt Avenue and 109 7th Street, St. Louis, Mo.

WESTERN SANDWICH SHOP, formerly at 2358 West Chicago Avenue, Chicago, Ill.

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COST SYSTEMS—TAX REPORTS

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912,

OF CREDIT MONTHLY, published monthly at East Stroudsburg, Pa., for April 1st, 1926.

STATE OF NEW YORK,

COUNTY OF NEW YORK, ss:

Before me, a Notary Public in and for the State and County aforesaid, personally appeared Rodman Gilder, who, having been duly sworn according to law, deposes and says that he is the editor of the CREDIT MONTHLY, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor and business managers are: Publisher, National Assn. of Credit Men, 1 Park Avenue, New York City. Editor, Rodman Gilder, 1 Park Avenue, New York City. Managing Editor, None. Business Managers, None.

2. That the owner is: (If publication is owned by an individual, his name and address, or if owned by more than one individual the name and address of each, should be given below; if the publication is owned by a corporation, the name of the corporation and the names and addresses of the stockholders owning or holding one per cent or more of the total amount of stock should be given.) National Association of Credit Men, a non-stock corporation with these officers: Richard T. Baden, Holland, Baden & Ramsey, Baltimore, Md., President; William H. Pouch, Concrete Steel Co., New York, 1st Vice President; George J. Gruen, Gruen Watch Mfg. Co., Cincinnati, Ohio, 2d Vice President; Frank D. Rock, Armour & Company, Denver, Col., 3d Vice President; J. H. Tregoe, 1 Park Avenue, New York, Executive Manager.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders, as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is (This information is required from daily publications only.)

RODMAN GILDER,
Editor.

Sworn to and subscribed before me this 30th day of March, 1926.

(Seal) FREDERICK PAUL ARGOR,
Notary Public.
Queens Co. Clerk's No. 1860. Art. filed N. Y. Co. Clks. 268. N. Y. Co. Reg. No. 6198. Com. Exp. Mar. 30, 1926.

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The Controlled-key will not allow an incomplete keystroke to register an error.



The "Clear Register" signal warns against starting new work on an uncleared register.

More Figures at Less Cost

Figures are the eyes of business.

They reveal the path ahead, outlined in the reflected light of past experience.

Everywhere in business the need is for figures—more figures—more information—at less cost.

Only with a figuring machine capable of high speed production in both Adding and Calculating, can figure results be produced quickly at low cost.

The Comptometer is a high speed machine for both Adding and Calculating.

But what is of still more importance is, that its automatic safeguards against operating errors make its speed usable with safety.

There is a Comptometer man at your service at any time to show you, not by argument, but by actual work performed, how and why the Comptometer will give you more figures at less cost. He will be glad to call for an interview on your invitation.

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The Operator who uses an L C Smith is speedier, more accurate, less tired at quitting time. L C Smith is famous for its light touch, easy action, speed, quietness.

Where wide carriage models are needed L C Smith is particularly desirable because its carriage is not raised in shifting for figures. The type-basket shifts instead of the carriage.

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The pioneer portable typewriter, and by far the most widely used. The latest model shown here has standard keyboard, 10 inch carriage, 12 yard two-color self-reversing ribbon, real variable line spacer—more big machine features than any other portable.

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